*City of Princeton, Texas*

***Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2016***

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PRINCETON

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Commitment to Community

*"It is the mission of the City of Princeton to provide a high quality of life through essential municipal services, infrastructure, public safety and recreation, while welcoming growth through effective and fiscally responsible government."*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

City of Princeton, Texas

*City Manager*

*Derek Borg*

*Director of Finance*

*Cathy Crane*

**CITY OF PRINCETON, TEXAS**
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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# INTRODUCTORY SECTION

PRINCETON
Naturally Home

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March 27, 2017

Honorable Mayor and Members of the City Council
City of Princeton
Princeton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report ("CAFR") of the City of Princeton, Texas, for the fiscal year ended September 30, 2016, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame work of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LaFollett and Abbott, PLLC have issued an unmodified ("clean") opinion on the City of Princeton's financial statements for the year ended September 30, 2016. The independent auditor's report is located in the beginning of the financial statement section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

## GENERAL INFORMATION – CITY OF PRINCETON

In the late 1870s, T. B. Wilson and his brother George began farming near the site of future Princeton. In 1881, the Missouri, Kansas and Texas Railroad Company extended its line from Greenville to McKinney, passing through land owned by the brothers. The name Wilson's Switch was commonly used to designate the area but when the residents of the community applied for a post office branch, they learned that the name Wilson was already being used. The name Princeton was then selected, to honor Prince Dowlin, a landowner and promoter of the town. This name was accepted and a post office was established in 1888.

Princeton is a rapidly growing city in Collin County, Texas. Princeton is located in northeast Collin County between the cities of McKinney and Greenville on U.S. Highway 380. Collin County is currently one of the fastest growing counties in Texas.

The City is continuing to grow as the economy recovers over the past year, and several residential developments have started construction on new lots. There are several commercial projects that are being reviewed for construction in the near future.

The City of Princeton is a political subdivision and operates under the General Law type "A" form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and five-member council.

The financial reporting entity (the government) includes all the funds of the primary government. The government provides a full range of services, including police protection and a combination paid and volunteer fire department, sanitation services; community development; code enforcement; two public parks, and a city library; the construction and operation of water, sewer, drainage, solid waste services, streets, ad infrastructure; and cultural events.

## ECONOMIC CONDITIONS AND OUTLOOK

Princeton is located in the eastern part of Collin County, approximately six miles east of U.S. Highway 75, that connects Dallas to Oklahoma and on U.S. 380 the primary regional transportation artery that connects Texas to New Mexico on the west and to I-30 on the east. The City is approximately thirty-eight miles from DFW International Airport, which is centrally located between Dallas and Ft. Worth.

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 155,142 residents. This growth has extended to the east into Princeton and development has been steadily increasing over the past year. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade. The estimated population of Princeton was 9,356 for 2015 and is estimated at 10,632 in 2016. The projected growth rate for the next five years is estimated to be above 13%.

### Economic Indicators and Tax Rate

- The 108 acre business park sponsored by the Princeton Economic Development Corporation has commenced construction, and should be ready for new businesses to establish in later this year.

- Several new businesses have located their establishments here in Princeton paving the way for many new jobs. According to the Walmart Corporation, over 300 new jobs were created when they opened their new store in Princeton in 2016.

- The City again secured funding for 2017 to continue rebuilding the aging streets and to continue the development of parkland for the residents. The City has reconstructed over a mile of streets in the older part of the city in 2015-16, resulting in better and more stable home values.

- Princeton receives its water from North Texas Municipal Water District in Wylie, Texas. The District supplies water to most of the communities in North Texas, and is expanding its capability by building an additional reservoir at the Lower Bois D'Arc Creek location. This reservoir will serve the growth of the region well into the future.

- Property tax revenues increased 23% over FY2015. It is estimated that over 50% of this increase is due to additions to the tax roll from new properties.

- Sales tax revenues increased 43% over FY2015. It is projected that the increase for FY2017 will be an additional increase of $517,560.

- Economists say Texas is returning to a sustainable long-term growth rate after rebounding earlier and stronger from the recession than many other states. Princeton continues to see this growth through the issuance of building permits for single family home building. There were 356 single family home building permits issued in FY2016.

Accounting Procedures and Budgetary Concepts

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In accordance with the City's Budget Policy, the budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager and the Director of Finance, a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review, the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Director of Finance, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriate and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year. The legal level of budgetary control is maintained at the fund level – budget amendments increasing total expenditures within a fund require formal approval by the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90 day unassigned fund balance reserves.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of City Council. These controls are inherently limited by the segregation of duties of a small government.

General Governmental Functions

Tax Rates: All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

| | Tax Rate |
|---|---|
| 2012-2013 | 0.756932 |
| 2013-2014 | 0.738999 |
| 2014-2015 | 0.721800 |
| 2015-2016 | 0.691886 |
| 2016-2017 | 0.689890 |

## OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of LaFollett and Abbott PLLC, to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and state that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2016 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements
Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Derek Borg
City Manager

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Princeton

## Texas

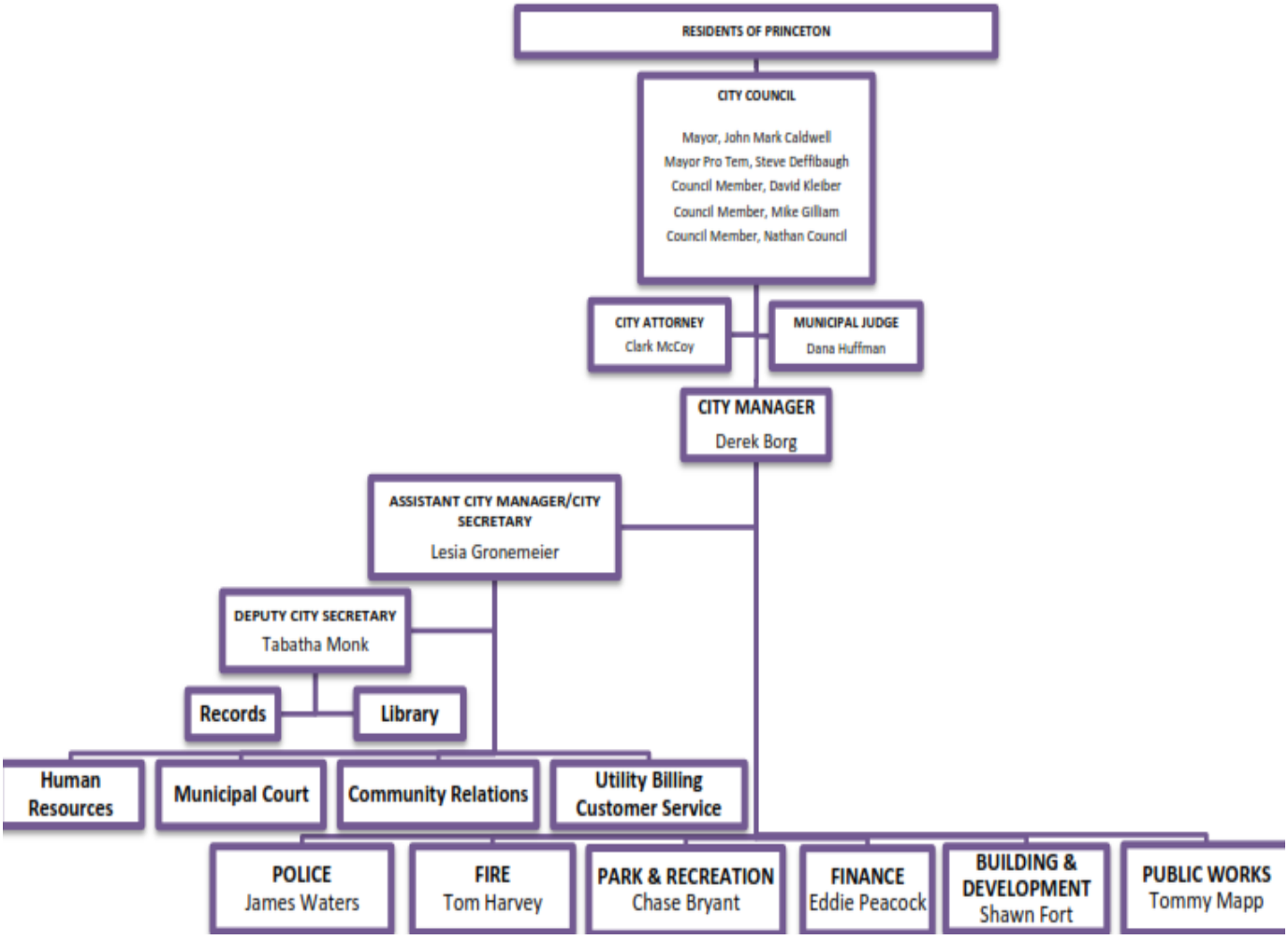
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# CITY OF PRINCETON

## Organizational Chart



# CITY OF PRINCETON COUNCIL MEMBERS

*Mayor*

The Honorable John Mark Caldwell

*City Council Members*

Steve Deffibaugh - Mayor Pro-Tem

David Kleiber
Mike Guillen
Rich Hooper

# FINANCIAL SECTION

LaFollett and Abbott PLLC
Certified Public Accountants

Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

# INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Princeton, Texas

**Report on the Financial Statements**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



LaFollett and Abbott PLLC
PO Box 717 · Tom Bean, TX · 75489
903-546-6975 · www.lafollettcpa.com

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-12, the Schedule of TMRS Contributions on page 53, and the Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 years on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section on pages i-vii, individual fund financial statements and schedules on pages 55-65, and statistical section on pages 66-86 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, individual fund financial statements and schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas internal control over financial reporting and compliance.

Tom Bean, Texas
March 27, 2017

**CITY OF PRINCETON, TEXAS**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2016**

As management of the City of Princeton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

## Financial Highlights

- The City's net position at the close of the fiscal year is $24,687,543. Of this amount, $3,988,498 (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors. The restricted net position in the amount of $5,992,300 is restricted for repayment of debt, impact fee usage, capital projects, PEG fees collected, and municipal court use.

- The government's total net position increased by $4,526,571. This is higher than the prior year increase of $2,551,839, largely due to increased capital contributions from new development.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $5,981,296, an increase of $1,363,796 in comparison with the prior year. The increase in combined ending fund balances is mostly attributable to bond proceeds.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $1,530,097. This $796,478 increase in unassigned fund balance was largely due to a favorable budget versus actual variance of $292,719.

- The City's total bonded debt increased by $2,270,000, or 11%, during the current fiscal year.

## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City of Princeton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Princeton.

## Basic Financial Statements

The first two statements (pages 13 - 14) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 15 - 23) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets, deferred inflows and outflows of resources, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant and contributions finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the utility services offered by the City. The final categories are the component units. The City includes two separate legal entities in its report – City of Princeton Community Development Corporation ("CDC") and the City of Princeton Economic Development Corporation ("EDC"). Although legally separate, these component units are important and are included because of their financial relationships to the City.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Princeton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The comparison shows four columns: 1) the original budget; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The governmental fund financial statements can be found on pages 15 - 18 of this report. The General Fund budgetary comparison can be found on pages 19 - 20.

*Proprietary Funds* – The City has one type of proprietary fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 – 52 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, these reports on pages 53-54 include certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

**City of Princeton's Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | $ 7,327,030 | $ 5,021,463 | $ 5,284,094 | $ 5,014,542 | $ 12,611,124 | $ 10,036,005 |
| Capital assets | 18,611,330 | 14,866,761 | 18,864,766 | 16,996,056 | 37,476,096 | 31,862,817 |
| Total assets | 25,938,360 | 19,888,224 | 24,148,860 | 22,010,598 | 50,087,220 | 41,898,822 |
| Deferred outflows of resources | 319,473 | 148,970 | 516,119 | 55,449 | 835,592 | 204,419 |
| Long-term liabilities outstanding | 10,251,955 | 7,144,669 | 12,349,391 | 12,942,117 | 22,601,346 | 20,086,786 |
| Other Liabilities | 1,985,331 | 1,025,986 | 1,517,845 | 809,302 | 3,503,176 | 1,835,288 |
| Total liabilities | 12,237,286 | 8,170,655 | 13,867,236 | 13,751,419 | 26,104,522 | 21,922,074 |
| Deferred inflows of resources | 94,563 | 50,381 | 36,185 | 18,753 | 130,748 | 69,134 |
| Net position: | | | | | | |
| Net investment in capital assets | 8,075,220 | 7,301,447 | 6,631,526 | 4,998,145 | 14,706,746 | 12,299,592 |
| Restricted | 4,140,512 | 3,152,746 | 1,851,788 | 994,498 | 5,992,300 | 4,147,244 |
| Unrestricted | 1,710,252 | 1,361,965 | 2,278,245 | 2,303,232 | 3,988,497 | 3,665,197 |
| Total net position (as restated) | $ 13,925,984 | $ 11,816,158 | $ 10,761,559 | $ 8,295,875 | $ 24,687,543 | $ 20,112,033 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Total net position of the City is $24,687,543 as of September 30, 2016.

*Net Investment in capital assets:*
The City's net position increased by $4,526,571 for the fiscal year ended September 30, 2016. However, a large portion, 59.5%, reflects the City's Investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's Investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

*Restricted net position:*
Restricted net position represents 24.3% of total net position that is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) $917,661 for debt requirements, (b) $1,969,500 for state imposed restrictions, and (c) $3,105,139 for capital projects.

*Unrestricted net position*
Unrestricted net position in the amount of $3,998,498 or 16.2% of total net position is available to fund City programs to citizens and creditors.

**City of Princeton's Changes in Net Position**

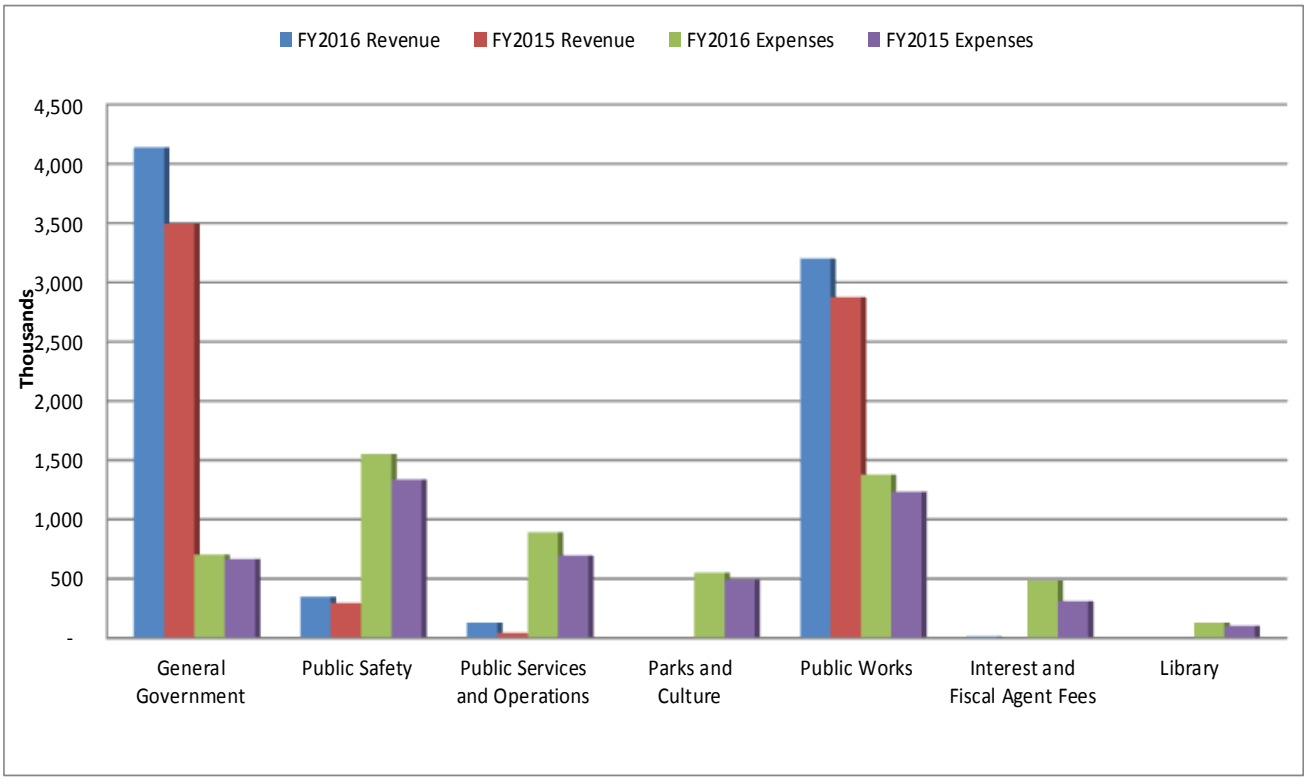
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| REVENUE: | | | | | | |
| Program Revenues: | | | | | | |
| Charge for Services | $ 1,770,853 | $ 1,103,401 | $ 6,754,857 | $ 5,214,972 | $ 8,525,710 | $ 6,318,373 |
| Operating Grants and Contributions | 8,129 | 20,258 | - | - | 8,129 | 20,258 |
| Capital Grants and Contributions | 1,908,221 | 2,112,676 | 1,439,081 | 118,855 | 3,347,302 | 2,231,531 |
| General Revenues: | | | | | | |
| Property taxes | 2,859,709 | 2,483,190 | - | - | 2,859,709 | 2,483,190 |
| Franchise tax | 305,838 | 313,430 | - | - | 305,838 | 313,430 |
| Sales and use tax | 918,489 | 626,981 | - | - | 918,489 | 626,981 |
| Investment income | 15,937 | 3,938 | 10,929 | 6,005 | 26,865 | 9,943 |
| Donations-not restricted for specific proprams | 16,177 | 14,448 | - | - | 16,177 | 14,448 |
| Miscellaneous | 39,181 | 45,372 | 10,463 | 3,148 | 49,644 | 48,520 |
| Intergovernmental revenue | - | - | 231,150 | - | 231,150 | - |
| Total Revenues | 7,842,534 | 6,723,695 | 8,446,480 | 5,342,980 | 16,289,014 | 12,066,675 |
| EXPENSES: | | | | | | |
| Program Expenses: | | | | | | |
| General Government | 705,071 | 597,796 | - | - | 705,071 | 597,796 |
| Public Safety | 1,562,609 | 1,335,532 | - | - | 1,562,609 | 1,335,532 |
| Public Works | 1,381,286 | 1,232,485 | - | - | 1,381,286 | 1,232,485 |
| Public Services and Operations | 893,941 | 697,081 | - | - | 893,941 | 697,081 |
| Parks and Recreation | 552,517 | 493,077 | - | - | 552,517 | 493,077 |
| Library | 129,686 | 102,133 | - | - | 129,686 | 102,133 |
| Interest and Fiscal Agent Fees | 475,106 | 379,815 | 537,378 | 619,170 | 1,012,485 | 998,985 |
| Water and Sewer | - | - | 5,524,848 | 4,057,749 | 5,524,848 | 4,057,749 |
| Total Expenses | 5,700,217 | 4,837,918 | 6,062,226 | 4,676,918 | 11,762,443 | 9,514,837 |
| Increase in Net Position before transfers | 2,142,317 | 1,885,777 | 2,384,254 | 666,062 | 4,526,571 | 2,551,838 |
| Transfers | (32,491) | (132,418) | 32,491 | 132,418 | - | - |
| Increase in Net Position | 2,109,826 | 1,753,359 | 2,416,745 | 798,480 | 4,526,571 | 2,551,838 |
| Net Position, beginning | 11,816,158 | 10,113,834 | 8,295,875 | 7,524,208 | 20,112,033 | 17,638,042 |
| Prior Period Adjustments | - | (51,035) | 48,939 | (26,813) | 48,939 | (77,848) |
| Net Position, ending | $ 13,925,984 | $ 11,816,158 | $ 10,761,559 | $ 8,295,875 | $ 24,687,543 | $ 20,112,032 |

The governmental activities show an increase in net position of $2,109,826 for 2016. Excluding grants and contributions, governmental revenues increased from the prior year by $1,335,425, or 23%. Governmental expenses increased from the prior year by $862,299 mostly due to increase expenses in the public safety department.

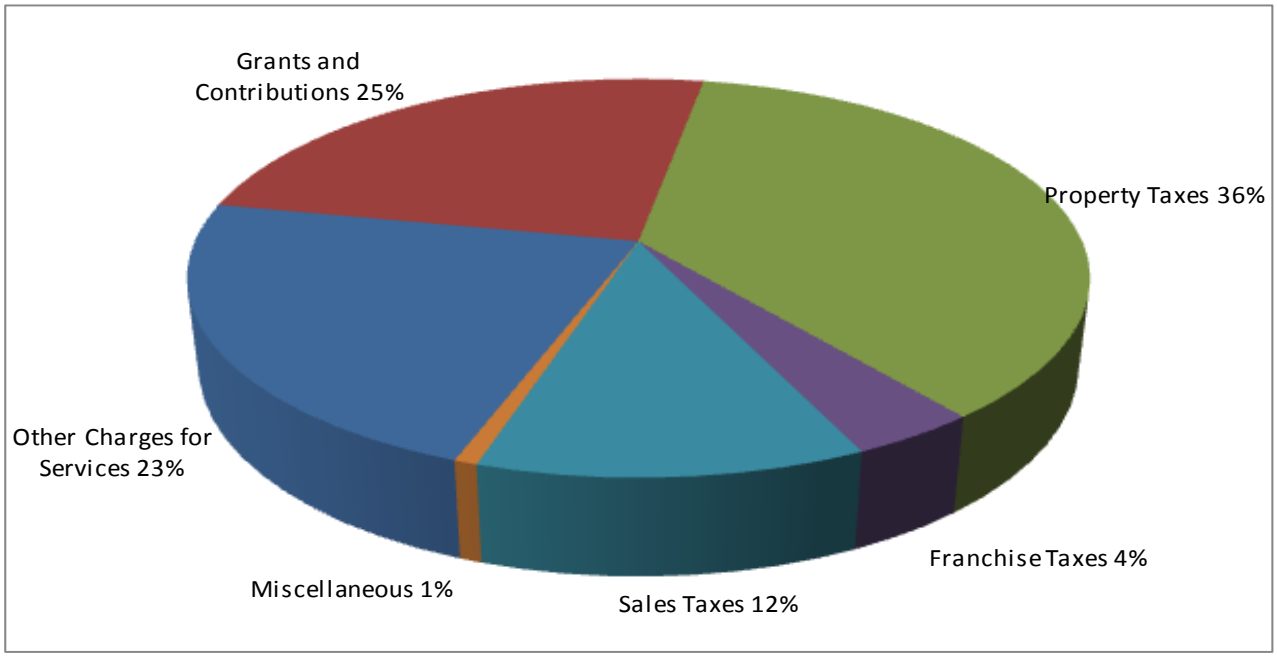
Business-type activities had an increase of $2,416,745 in net position for fiscal year 2016. The charge for services revenues increased $1,385,308, or 29.6%, and the business-type expenses increased $1,385,308 or 29.6%. Moderate increases in customers affected the increases in utility charges for services.

**Governmental-type activities** - Governmental-type activities increased the City's net position by $2,109,826. One key element of this increase is as follows: Charges for Services increased $667,452.

**Expenses and Program Revenues – Governmental Activities**

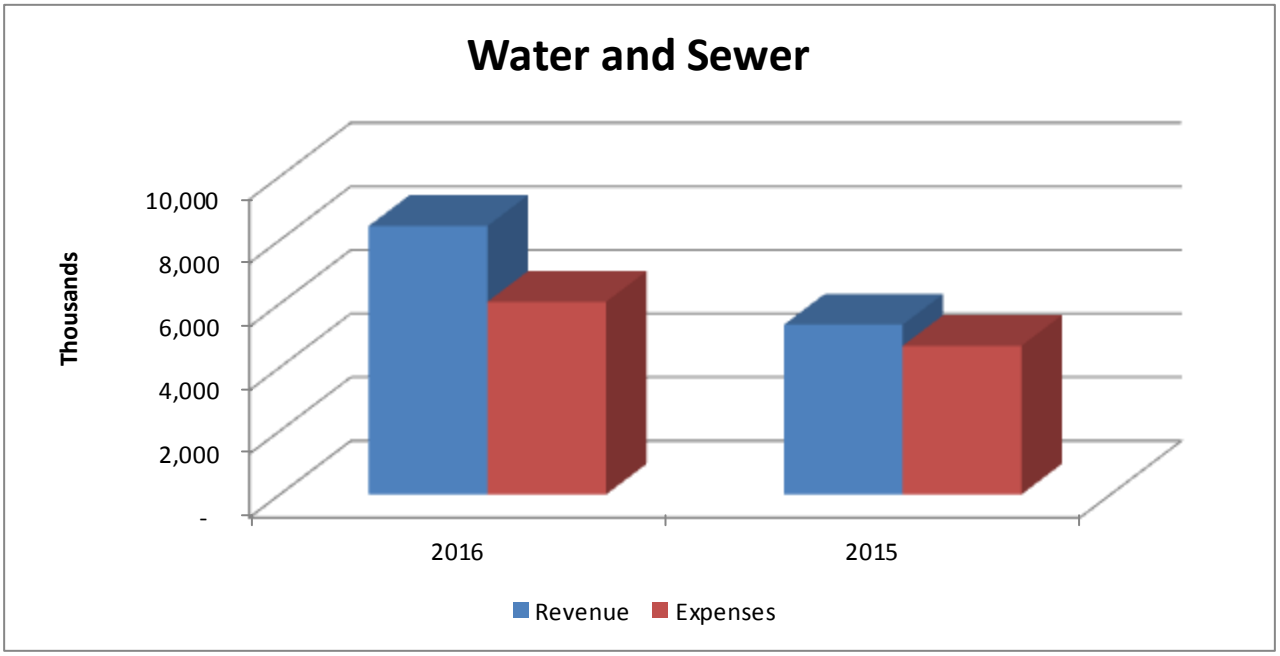



**Revenue by Source – Governmental Activities**

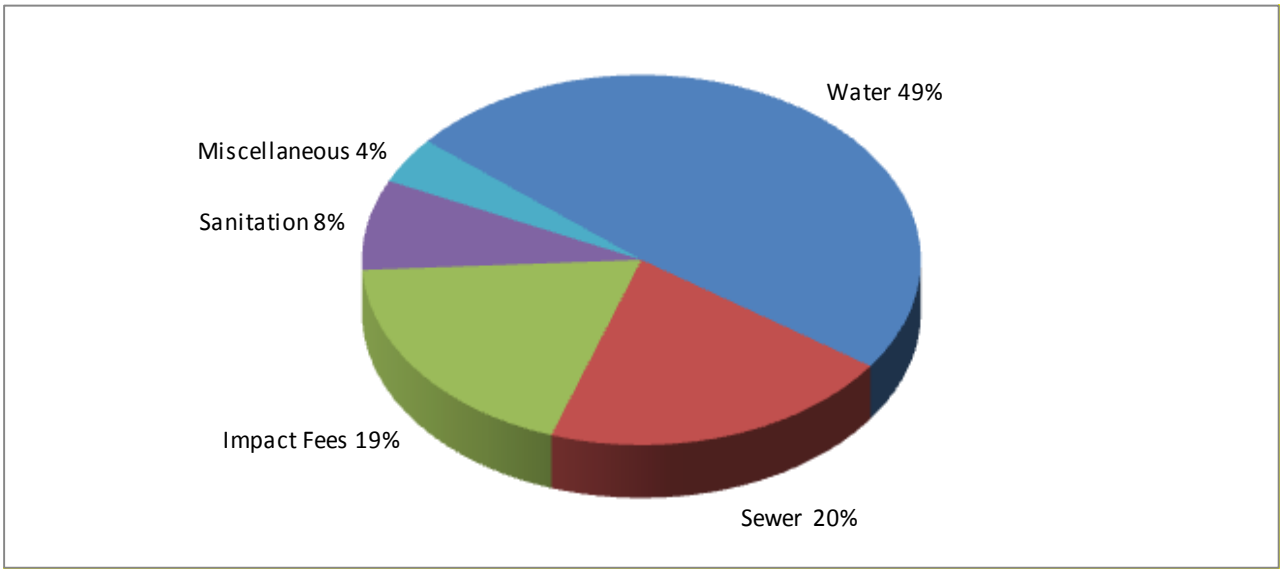


**Business-type Activities** - Business-type activities increased the City of Princeton's net position by $2,416,745, excluding prior period adjustments. Most of this increase was made possible by increased charges for services.

**Expenditures and Program Revenues – Business-type Activities**




**Revenue by Source – Business-type Activities**



**Financial Analysis of the City's Funds**

As noted earlier, the City of Princeton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2016, the governmental funds of the City reported a combined fund balance of $5,981,296, an 29.5% increase over last year. This increase is mostly attributable to favorable budget versus actual results in the General Fund.

The components of total fund balance are as follows:

Restricted fund balance of $3,105,139 is for capital projects that have been restricted by a third party. At the end of the current fiscal year, the Debt Service Fund had a total restricted fund balance of $389,970 for the payment of debt, an increase of $1,950, or .5%. Other restricted fund balances of $117,712, are amounts restricted by external laws for other third party restrictions.

Committed fund balance of $64,926 is the amount that has been set aside by City Council for a specific purpose for the Fire department as determined by a formal action. The committed fund balance of $239,741 has been set aside by the City Council for park projects.

Assigned fund balances of $3,658 and $2,362, are the amounts set aside for use by the police department and for scholarships, respectively.

Unassigned fund balance totaled $1,530,097, a $796,478 (109%) increase over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the 2016 budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

Actual revenues and other financing sources were $448,454 more than the amended budget amounts. Expenditures were $155,734 more than the amended budget amounts. Sales and use taxes had the most favorable revenue variance of $119,281. Police department expenditures had the largest negative budget variance.

**Proprietary Funds** – The City of Princeton's proprietary fund financial statements provide overall the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to $2,278,245, a 1% decrease from the prior year.

**Capital Assets** – The City of Princeton's investment in capital assets for its government and business-type activities as of September 30, 2016, totals $37,476,096 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 17.6%.

Major capital asset events during the current fiscal year included the following:

- On-going street infrastructure projects continued such as Beauchamp & Tickey Creek Streets
- On-going park bridge improvements

**City of Princeton**
**Capital Assets**
**As of September 30, 2016**
**(net of depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | $ 866,817 | $ 866,817 | $ 180,353 | $ 180,353 | $ 1,047,170 | $ 1,047,170 |
| Buildings and improvements | 894,528 | 885,664 | 140,342 | 145,928 | 1,034,870 | 1,031,592 |
| Infrastructure | 11,676,488 | 9,555,152 | 17,460,053 | 16,404,663 | 29,136,541 | 25,959,815 |
| Machinery & equipment | 422,654 | 403,388 | 248,509 | 204,745 | 671,163 | 608,133 |
| Park Improvements | 1,120,277 | 1,194,393 | - | - | 1,120,277 | 1,194,393 |
| Construction in progress | 3,630,566 | 1,961,347 | 835,509 | 60,367 | 4,466,075 | 2,021,714 |
| Total | $ 18,611,330 | $ 14,866,761 | $ 18,864,766 | $ 16,996,056 | $ 37,476,096 | $ 31,862,817 |

A variety of street improvements projects were in progress during the year. More detailed information about the City's capital assets can be found in Note G of the notes to the financial statements.

**Long-term Debt –** As of September 30, 2016, the City had total long-term debt outstanding of $23,199,828. The total debt increased by $2,800,400 over the previous year. This represents an increase of 13.7% due to new long-term debt being issued in fiscal year 2016. More detailed information about the City's outstanding debt can be found in Note I of the notes to the financial statements.

**City of Princeton**
**Outstanding Debt**
**As of September 30, 2016**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds and Certificates of Obligation | $ 9,520,726 | $ 6,479,858 | $ 8,769,290 | $ 8,593,124 | $ 18,290,016 | $ 15,072,982 |
| Tax Note | 755,000 | 935,000 | - | - | 755,000 | 935,000 |
| GTUA bonds payable | - | - | 3,920,000 | 4,135,000 | 3,920,000 | 4,135,000 |
| Capital Leases | 260,384 | 150,456 | 150,594 | 105,990 | 410,978 | 256,446 |
| Total | $ 10,536,110 | $ 7,565,314 | $ 12,839,884 | $ 12,834,114 | $ 23,375,994 | $ 20,399,428 |

**Economic Factors and Next Year's Budgets and Rates**

The FY2016-17 budget incorporates the effective property tax rate of $0.689890 per $100 valuation as compared to the 2016 property tax rate of $0.691886. The budget will raise more total property taxes by $467,416, or 17.46%. Of this amount, $277,608 is from new property added to the tax roll.

The FY 2016-17 revenue budget has a 21% increase budgeted over the FY 2015-16 final amended budget. The City's sales tax revenue is expected to increase $799,208 over the previous fiscal year.

The FY2016-17 expenditures budget is a 23% increase over FY 2015-16 final amended budget. This is due to a substantial increase in the cost of employee insurance across the board from Texas Municipal League and the addition of full-time and part-time personnel.

The proprietary fund (Water and Sewer Fund) operating revenues are budgeted in FY2016-17 with a 30% increase over FY 2015-16. Due to the ongoing development of the City, the impact fees are expected to increase significantly. Also, the rates for utility services increased slightly due to North Texas Municipal Water District's rate increase. As in the previous year, meter installs and new meter services are budgeted to increase due to customer growth. The expenditures are also budgeted to increase 2% over FY 2015-16 with added cost in supplies and services due to customer growth and additional personnel required for the Storm Water Division.

**Requests for Information**

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Princeton, Finance Department, PO Box 970, Princeton, Texas 75407.

BASIC FINANCIAL STATEMENTS

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF NET POSITION**
**SEPTEMBER 30, 2016**

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | CDC | EDC |
| **Assets** | | | | | |
| Cash and Cash equivalents | $ 1,708,749 | $ 1,656,147 | $ 3,364,896 | $ 75,131 | $ 299,381 |
| Receivables (Net) | 432,221 | 484,886 | 917,107 | 96,611 | 96,611 |
| Unbilled Revenue | - | 127,299 | 127,299 | - | - |
| Restricted assets: | | | | | |
| Cash and Cash equivalents | 4,658,369 | 2,409,120 | 7,067,489 | - | - |
| Deposits held in trust - GTUA | - | 606,643 | 606,643 | - | - |
| Note receivable-component unit | 527,691 | - | 527,691 | - | - |
| Capital assets not being depreciated: | | | | | |
| Land | 866,817 | 180,353 | 1,047,170 | - | 1,012,000 |
| Construction in progress | 3,630,566 | 835,509 | 4,466,075 | 137,685 | 300,318 |
| Capital assets net of acc. depreciation | | | | | |
| Infastructure | 11,676,488 | 17,460,053 | 29,136,541 | - | - |
| Parks & Recreation | 1,120,277 | - | 1,120,277 | - | - |
| Buildings and improvements | 894,528 | 140,342 | 1,034,870 | 135,671 | - |
| Machinery and Equipment | 422,654 | 248,509 | 671,163 | - | - |
| **Total Assets** | 25,938,360 | 24,148,860 | 50,087,220 | 445,098 | 1,708,310 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| TMRS pension contributions | 135,372 | 51,801 | 187,173 | 946 | 946 |
| Unamortized pension losses | 181,355 | 69,397 | 250,752 | 1,268 | 1,268 |
| Pension actual vs assumption changes | 2,746 | 1,051 | 3,797 | 19 | 19 |
| Deferred loss on bond refunding | - | 393,870 | 393,870 | - | - |
| **Total deferred outflows of resources** | 319,473 | 516,119 | 835,592 | 2,233 | 2,233 |
| **Liabilities** | | | | | |
| Accounts payable | 974,006 | 335,530 | 1,309,536 | 786 | 10,817 |
| Retainage payable | - | 1,047 | 1,047 | - | - |
| Accrued liabilities | 46,088 | 8,535 | 54,623 | - | 611 |
| Other liabilities | 183,255 | 15,426 | 198,681 | - | - |
| Customer deposits | - | 504,791 | 504,791 | - | - |
| Accrued interest payable | 48,453 | 39,015 | 87,468 | - | - |
| Noncurrent liabilities: | | | | | |
| Due within one year: | 733,529 | 613,501 | 1,347,030 | 82,900 | 917 |
| Due in more than one year: | 10,251,955 | 12,349,391 | 22,601,346 | 449,693 | 3,964 |
| **Total Liabilities** | 12,237,286 | 13,867,236 | 26,104,522 | 533,379 | 16,309 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unamortized pension gains | 94,563 | 36,185 | 130,748 | 661 | 661 |
| **Total deferred inflows of resources** | 94,563 | 36,185 | 130,748 | 661 | 661 |
| **Net Position** | | | | | |
| Net investment in capital assets | 8,075,220 | 6,631,526 | 14,706,746 | 273,356 | 1,312,318 |
| Restricted for: | | | | | |
| Debt Service | 917,661 | - | 917,661 | - | - |
| Use of impact fees | - | 1,851,788 | 1,851,788 | - | - |
| Court | 38,491 | - | 38,491 | - | - |
| Child safety | 39,645 | - | 39,645 | - | - |
| PEG Capital | 39,576 | - | 39,576 | - | - |
| Capital projects | 3,105,139 | - | 3,105,139 | - | - |
| Unrestricted | 1,710,252 | 2,278,245 | 3,988,498 | (360,065) | 381,255 |
| **Total Net position** | $ 13,925,984 | $ 10,761,559 | $ 24,687,543 | $ (86,709) | $ 1,693,573 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Units: Community Development Corporation | Component Units: Economic Development Corporation |
|---|---|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General government | $ 789,760 | $ - | $ - | $ - | $ (789,760) | | $ (789,760) | | |
| Public safety | 1,562,609 | 348,441 | 1,400 | - | (1,212,768) | | (1,212,768) | | |
| Public services and operations | 893,941 | 130,204 | - | - | (763,737) | | (763,737) | | |
| Parks and recreation | 552,517 | - | 6,729 | - | (545,788) | | (545,788) | | |
| Library | 129,686 | - | - | - | (129,686) | | (129,686) | | |
| Public works | 1,381,286 | 1,292,208 | - | 1,908,221 | 1,819,143 | | 1,819,143 | | |
| Interest on long-term debt | 390,417 | - | - | - | (390,417) | | (390,417) | | |
| **Total Governmental Activities** | 5,700,217 | 1,770,853 | 8,129 | 1,908,221 | (2,013,014) | | (2,013,014) | | |
| Business-Type Activities | | | | | | | | | |
| Utility Services | 6,062,226 | 6,754,857 | - | 1,439,081 | - | $ 2,131,712 | 2,131,712 | | |
| **Total Business-Type Activities** | 6,062,226 | 6,754,857 | - | 1,439,081 | - | 2,131,712 | 2,131,712 | | |
| **Total Primary Government** | $ 11,762,443 | $ 8,525,710 | $ 8,129 | $ 3,347,302 | (2,013,014) | 2,131,712 | 118,698 | | |
| **Component Units:** | | | | | | | | | |
| Community Development Corporation | 76,402 | - | - | - | | | | $ (76,402) | |
| Economic Development Corporation | 101,683 | - | - | - | | | | | $ (101,683) |
| **Total Component Units** | $ 178,085 | $ - | $ - | $ - | | | | $ (76,402) | $ (101,683) |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | $ 2,859,709 | $ - | $ 2,859,709 | $ - | $ - |
| Sales and use taxes | | | | | 918,489 | - | 918,489 | 459,244 | 459,244 |
| Franchise taxes | | | | | 305,838 | - | 305,838 | - | - |
| Investment income | | | | | 15,937 | 10,929 | 26,865 | 890 | 1,354 |
| Contributions not restricted to specific programs | | | | | 16,177 | - | 16,177 | - | - |
| Miscellaneous | | | | | 39,181 | 10,463 | 49,645 | 7,342 | - |
| Intergovernmental revenue | | | | | - | 231,150 | 231,150 | - | - |
| Transfers | | | | | (32,491) | 32,491 | - | - | - |
| Special item - Sale of land | | | | | - | - | - | - | 404,503 |
| Total general revenues and transfers | | | | | 4,122,840 | 285,033 | 4,407,873 | 467,476 | 865,101 |
| Change in net position | | | | | 2,109,826 | 2,416,745 | 4,526,571 | 391,074 | 763,418 |
| Net position - beginning | | | | | 11,816,158 | 8,295,875 | 20,112,033 | (477,783) | 930,155 |
| Prior period adjustments | | | | | - | 48,939 | 48,939 | - | - |
| Net position - ending | | | | | $ 13,925,984 | $ 10,761,559 | $ 24,687,543 | $ (86,709) | $ 1,693,573 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**BALANCE SHEET - GOVERNMENTAL FUNDS**
**SEPTEMBER 30, 2016**

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,708,749 | $ - | $ - | $ 1,708,749 |
| Receivables (net) | 409,056 | 23,165 | - | 432,221 |
| Note receivable-component unit-CDC | - | 527,691 | - | 527,691 |
| Cash - restricted | 117,712 | 389,068 | 4,151,589 | 4,658,369 |
| **Total Assets** | 2,235,517 | 939,924 | 4,151,589 | 7,327,030 |
| **LIABILITIES** | | | | |
| Accounts payable | 166,759 | 538 | 806,709 | 974,006 |
| Accrued liabilities | 46,088 | - | - | 46,088 |
| Other liabilities | 183,255 | - | - | 183,255 |
| **Total Liabilities** | 396,102 | 538 | 806,709 | 1,203,349 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenues-property taxes | 47,260 | 21,725 | - | 68,985 |
| Unavailable revenues-court | 73,400 | - | - | 73,400 |
| **Total deferred inflows of resources** | 120,660 | 21,725 | - | 142,385 |
| **FUND BALANCES** | | | | |
| Restricted for: | | | | |
| Debt service | - | 917,661 | - | 917,661 |
| Court: | | | | |
| Court security | 18,835 | - | - | 18,835 |
| Court technology | 19,656 | - | - | 19,656 |
| Child safety | 39,645 | - | - | 39,645 |
| PEG capital | 39,576 | - | - | 39,576 |
| Capital projects | - | - | 3,105,139 | 3,105,139 |
| Committed for: | | | | |
| Fire | 64,926 | - | - | 64,926 |
| Park improvements | - | - | 239,741 | 239,741 |
| Assigned for: | | | | |
| Police | 3,658 | - | - | 3,658 |
| Scholarships | 2,362 | - | - | 2,362 |
| Unassigned | 1,530,097 | - | - | 1,530,097 |
| **Total fund balances** | 1,718,755 | 917,661 | 3,344,880 | 5,981,296 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 2,235,517 | $ 939,924 | $ 4,151,589 | $ 7,327,030 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF NET POSITION**
**SEPTEMBER 30, 2016**

| | | |
|---|---|---|
| **Total fund balances - governmental funds balance sheet** | $ | 5,981,296 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 23,563,125 |
| Accumulated depreciation is not included in the governmental fund financial statements. | | (4,951,795) |
| Bonds Payable and contractual obligations are not included in the governmental fund financial statements. | | (10,536,110) |
| Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds. | | (231,448) |
| Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is: | | 89,538 |
| TMRS pension contributions after the December 31, 2015 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position. | | 135,372 |
| Accrued liabilities for compensated absences are not included in the fund financial statements. | | (217,926) |
| Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. | | (48,453) |
| Amounts reported as deferred inflows of resources in the governmental fund financial statements are removed in the government-wide financial statements. | | 142,385 |
| **Net position of governmental activities - Statement of Net Position** | $ | 13,925,984 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND BALANCES - GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Revenue** | | | | |
| Property taxes | $ 1,967,171 | $ 901,434 | $ - | $ 2,868,605 |
| Licenses and permits | 1,292,208 | - | - | 1,292,208 |
| Sales and use taxes | 918,489 | - | - | 918,489 |
| Franchise taxes | 305,838 | - | - | 305,838 |
| Fines and forfeitures | 313,762 | - | - | 313,762 |
| Intergovernmental revenue | 203,254 | - | 974,555 | 1,177,809 |
| Charge for services | 130,204 | - | - | 130,204 |
| Miscellaneous | 32,509 | 3,876 | - | 36,385 |
| Grants | 8,129 | - | - | 8,129 |
| Donations | 16,177 | - | - | 16,177 |
| Investment income | 1,767 | 1,195 | 12,976 | 15,938 |
| Beverage tax | 2,796 | - | - | 2,796 |
| **Total revenues** | 5,192,305 | 906,505 | 987,531 | 7,086,340 |
| **Expenditures** | | | | |
| Current operating: | | | | |
| Public safety | 1,392,275 | - | - | 1,392,275 |
| General government | 666,095 | 3,304 | 15,556 | 684,955 |
| Public works | 748,702 | - | - | 748,702 |
| Fire | 636,406 | - | - | 636,406 |
| Parks and recreation | 460,734 | - | - | 460,734 |
| Court | 238,656 | - | - | 238,656 |
| Library | 117,758 | - | - | 117,758 |
| Debt Service: | | | | |
| Principal retirement | 72,724 | 576,701 | - | 649,425 |
| Interest and fiscal agent fees | 9,283 | 379,113 | - | 388,396 |
| Issuance costs | - | - | 84,689 | 84,689 |
| Capital outlays: | | | | |
| Public works | 32,650 | - | 3,626,190 | 3,658,840 |
| Fire | 10,500 | - | - | 10,500 |
| Public safety | 238,670 | - | - | 238,670 |
| Parks and recreation | 9,840 | - | - | 9,840 |
| **Total expenditures** | 4,634,293 | 959,118 | 3,726,435 | 9,319,846 |
| **Excess (deficiency) of revenues over (under) expenditures** | 558,012 | (52,613) | (2,738,904) | (2,233,505) |
| **Other revenues and financing sources (uses)** | | | | |
| Issuance of debt | - | - | 3,245,000 | 3,245,000 |
| Transfers | - | (32,491) | - | (32,491) |
| Bond premiums | - | - | 202,141 | 202,141 |
| Capital lease financing | 182,652 | - | - | 182,652 |
| **Total other financing sources (uses)** | 182,652 | (32,491) | 3,447,141 | 3,597,302 |
| **Net change in fund balances** | 740,663 | (85,104) | 708,237 | 1,363,796 |
| **Fund balances - October 1 (as restated)** | 978,092 | 1,002,765 | 2,636,643 | 4,617,500 |
| **Fund balances - September 30** | $ 1,718,755 | $ 917,661 | $ 3,344,880 | $ 5,981,296 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | | |
|---|---|---|
| **Net Change in fund balances - total governmental funds** | $ | 1,363,796 |
| Amounts reported for governmental activities in the Statement of Activities are different due to the following: | | |
| Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. | | 3,917,850 |
| Donated capital is shown as an increase in capital assets in the government-wide financial statements. | | 730,412 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. | | (903,692) |
| Current year long-term debt principal payment are expenditures in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements. | | 649,425 |
| Premiums and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements. | | (192,571) |
| Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position. | | (46,847) |
| Bond and capital lease issuances are other financing sources for governmental funds, but increase debt for the government-wide financial statements. | | (3,427,652) |
| Decreases in deferred inflows for tax and court receivables are revenues in the fund financial statements, but are shown as a reduction in receivables in the government-wide financial statements. | | 25,783 |
| Accrued long term debt interest is not recorded in the governmental funds, but the increase in this balance is recognized for the full accrual, government-wide financial statements as interest expense. | | (11,594) |
| Full-accrual based pension expense is not recorded in the governmental funds financials, but the (increase) decrease from adjusting from the City's pension contribution expense is realized on the government-wide financial statements. | | 4,915 |
| **Change in net position of governmental activities- Statement of Activities** | $ | 2,109,826 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenue** | | | | |
| Property taxes | $ 1,907,098 | $ 1,970,795 | $ 1,967,171 | $ (3,624) |
| Licenses and permits | 690,500 | 1,237,619 | 1,292,208 | 54,589 |
| Sales and use taxes | 678,680 | 799,208 | 918,489 | 119,281 |
| Franchise taxes | 299,918 | 289,742 | 305,838 | 16,096 |
| Fines and forfeitures | 330,145 | 273,040 | 313,762 | 40,722 |
| Intergovernmental revenue | 210,121 | 201,126 | 203,254 | 2,128 |
| Charge for services | 72,095 | 99,086 | 130,204 | 31,118 |
| Miscellaneous | 15,412 | 28,811 | 32,509 | 3,698 |
| Grants | 2,917 | 6,854 | 8,129 | 1,275 |
| Donations | 10,650 | 15,718 | 16,177 | 459 |
| Beverage tax | 2,500 | 2,796 | 2,796 | - |
| Investment income | 808 | 1,708 | 1,767 | 59 |
| **Total revenues** | 4,220,844 | 4,926,503 | 5,192,305 | 265,802 |
| **Expenditures** | | | | |
| Current operating: | | | | |
| **General Government** | | | | |
| Administration (City Manager) and Public Information (City Secty) | 669,730 | 724,883 | 666,095 | 58,788 |
| Judicial (Municipal Court) | 270,489 | 260,539 | 238,656 | 21,883 |
| **Total General Government** | 940,219 | 985,422 | 904,751 | 80,671 |
| **Public Safety** | | | | |
| Police | 1,345,929 | 1,367,731 | 1,392,275 | (24,544) |
| Fire | 613,371 | 639,631 | 636,406 | 3,225 |
| Capital outlay | 350 | 350 | 249,170 | (248,820) |
| **Total Public Safety** | 1,959,650 | 2,007,712 | 2,277,851 | (270,139) |
| **Public Works** | | | | |
| Streets | 292,522 | 331,495 | 289,594 | 41,901 |
| Planning and development | 456,638 | 471,611 | 459,108 | 12,503 |
| Capital outlay | 1,500 | 1,500 | 32,650 | (31,150) |
| **Total Municipal Services** | 750,660 | 804,606 | 781,352 | 23,254 |
| **Parks and Recreation** | | | | |
| Parks and recreation | 362,335 | 441,287 | 460,734 | (19,447) |
| Capital outlay | 9,900 | 9,900 | 9,840 | 60 |
| **Total Parks and Recreation** | 372,235 | 451,187 | 470,574 | (19,387) |
| **Library** | | | | |
| Library | 103,322 | 139,717 | 117,758 | 21,959 |
| **Total Library** | 103,322 | 139,717 | 117,758 | 21,959 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget: Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Debt Service:** | | | | |
| Principal retirement | 89,261 | 81,385 | 72,724 | 8,661 |
| Interest and fiscal agent fees | 5,497 | 8,530 | 9,283 | (753) |
| **Total Debt Service:** | 94,758 | 89,915 | 82,008 | 7,907 |
| **Total expenditures** | 4,220,844 | 4,478,559 | 4,634,293 | (155,734) |
| **Excess (deficiency) of revenues over (under) expenditures** | - | 447,944 | 558,012 | 110,068 |
| **Other revenues and financing sources (uses)** | | | | |
| Capital lease Financing | - | - | 182,652 | 182,652 |
| **Total other financing sources (uses)** | - | - | 182,652 | 182,652 |
| **Net change in fund balances** | - | 447,944 | 740,663 | 292,719 |
| **Fund balances - October 1** | 978,092 | 978,092 | 978,092 | |
| **Fund balances - September 30** | $ 978,092 | $ 1,426,036 | $ 1,718,755 | |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF FUND NET POSITION**
**PROPRIETARY FUND**
**SEPTEMBER 30, 2016**

| | Utility Fund |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and cash equivalents | $ 1,656,147 |
| Receivables (net) | 484,886 |
| Unbilled revenue | 127,299 |
| Total current assets | 2,268,332 |
| Noncurrent Assets: | |
| Restricted cash | 2,409,120 |
| Deposits held in trust - GTUA | 606,643 |
| Total restricted noncurrent | 3,015,763 |
| Capital assets: | |
| Land | 180,353 |
| Construction in progress | 835,509 |
| Buildings and improvements | 235,326 |
| Water and sewer system | 22,302,195 |
| Machinery and equipment | 620,048 |
| Less: accumulated depreciation | (5,308,665) |
| Total capital assets, net of accumulated depreciation | 18,864,766 |
| **Total Assets** | $ 24,148,861 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| TMRS pension contributions | 51,801 |
| Unamortized pension losses | 69,397 |
| Pension actual vs assumption changes | 1,051 |
| Deferred loss on bond refunding | 393,870 |
| **Total deferred outflows of resources** | 516,119 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Accounts payable | $ 335,531 |
| Retainage payable | 1,047 |
| Accrued liabilities | 8,535 |
| Other liabilities | 15,426 |
| Payables from restricted funds: | |
| Water customer deposits | 504,791 |
| Accrued interest payable | 39,015 |
| Compensated absences - current | 8,862 |
| Capital lease payable - current | 45,149 |
| Certificates of obligation and bonds payable - current | 559,490 |
| Total current liabilities | 1,517,846 |
| Noncurrent Liabilities: | |
| Accrued compensated absences | 26,585 |
| Capital lease payable | 105,444 |
| Certificates of obligation and bonds payable | 12,129,800 |
| Net pension liability | 87,561 |
| Total noncurrent liabilities | 12,349,390 |
| **Total Liabilities** | 13,867,236 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unamortized pension gains | 36,185 |
| **Total deferred inflows of resources** | 36,185 |
| **NET POSITION** | |
| Net investment in capital assets | 6,631,526 |
| Restricted for: use of impact fees | 1,851,788 |
| Unrestricted | 2,278,245 |
| **Total Net Position** | $ 10,761,559 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND NET POSITION - PROPRIETARY FUND**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Utility Fund |
|---|---|
| **OPERATING REVENUES:** | |
| Charges for sales and services | |
| Service charges | $ 5,396,772 |
| Impact fees | 1,324,242 |
| Rental income | 33,843 |
| Miscellaneous | 10,463 |
| **Total Operating Revenues** | 6,765,321 |
| | |
| **OPERATING EXPENSES:** | |
| Water purchases | 1,107,625 |
| Personnel services | 853,993 |
| Contractual services | 978,125 |
| Depreciation | 670,108 |
| Lift station | 681,216 |
| Supplies and materials | 399,962 |
| Maintenance and repair | 472,172 |
| Franchise fees | 115,000 |
| Rent expense | 54,067 |
| Miscellaneous | 47,225 |
| Bad debts | 13,482 |
| **Total Operating Expenses** | 5,392,974 |
| | |
| **Operating Income (Loss)** | 1,372,346 |
| | |
| **NON-OPERATING REVENUES (EXPENSES):** | |
| Investment income | 10,929 |
| Interest | (537,378) |
| Bond issuance costs | (131,872) |
| Intergovernmental revenue | 231,150 |
| **Total Non-Operating Revenues (Expenses)** | (427,171) |
| | |
| **Income before contributions and transfers** | 945,175 |
| | |
| **Capital Contributions** | 1,439,081 |
| **Transfers from Debt Service Fund** | 32,491 |
| | |
| **Change in Net Position** | 2,416,747 |
| | |
| **Net Position - October 1** | 8,295,873 |
| **Prior Period Adjustments** | 48,939 |
| **Net Position - September 30** | $ 10,761,559 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Water and Sewer Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from customers for services | $ 6,815,453 |
| Cash received from customer deposits (net) | 74,990 |
| Cash paid to employees | (885,444) |
| Cash paid to suppliers for goods and services | (3,775,280) |
| **Net cash provided by (used in) operating activities** | 2,229,720 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | |
| Cash (paid to)/received from other funds | 32,491 |
| Cash (paid to)/received from intergovernmental agencies | 231,150 |
| **Net cash provided by (used in) non-capital financing activities** | 263,641 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition and construction of capital assets | (1,203,855) |
| Interest paid on capital debt | (549,542) |
| Principal paid on capital debt | (6,548,028) |
| Cash received from refunding bonds | 6,478,255 |
| Cash paid for bond issuance costs | (131,872) |
| **Net Cash Provided (Used) by Capital and Related Financing Activities** | (1,955,042) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income | 10,929 |
| **Net cash provided by (used in) investing activities** | 10,929 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 549,247 |
| **Cash and Cash Equivalents, October 1, 2015** | 3,516,020 |
| **Cash and Cash Equivalents, September 30, 2016** | $ 4,065,267 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | |
| Operating income (loss) | $ 1,372,346 |
| Adjustment to reconcile operating income to net cash Provided (used) by operating activities | |
| Depreciation expense | 670,108 |
| Bad debt expense | 13,482 |
| (Increase) decrease in accounts receivable | 50,132 |
| Increase (decrease) in deposits payable | 74,990 |
| Increase (decrease) in accounts payable | 85,425 |
| Increase (decrease) in accrued liabilities | (5,314) |
| Increase (decrease) in compensated absences | (31,451) |
| **Net Cash Provided by Operating Activities** | $ 2,229,720 |
| Schedule of Non-Cash Capital and Related Financing Activities: | |
| Contributions of Capital Assets | 1,439,081 |
| Machinery and equipment acquired through capital leases | 93,445 |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

A. Summary of Significant Accounting Policies

The City of Princeton, Texas ("City") is a municipality governed by an elected mayor and five-member council and provides the following services to the citizens of the City; public safety, public works, parks and recreation, water, sewer, and sanitation services, and general administration.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

   The City is a municipality governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matter. Therefore, the City is a financial reporting entity as defined by GASB Statement No.14, "The Financial Reporting Entity" and as amended by GASB Statement No.39, "Determining Whether Certain Organizations are Component Units".

   Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No.14 by including entitles that meet all three of the following requirements:

   a. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.

   b. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

   c. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

The Princeton Community Development Corporation ("CDC") and the Princeton Economic Development Corporation ("EDC") are discretely presented component units for the City. The CDC was incorporated July 3, 1997, and the EDC was incorporated October 1, 2005. Both corporations are governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for the CDC and EDC occurs by the City transferring ¼ of sales tax revenues collected by the City respectively to each corporation. The nature and significance of the relationship between the primary government and the CDC and EDC is such that exclusions would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the CDC or EDC.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and the discretely presented component units.

2. Basis of Presentation, Basis of Accounting

    a. Basis of Presentation

    The basic financial statements are prepared in conformity with GAAP, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. Significantly, the City's Statement of Net Position includes both non-current assets and non-current liabilities. In addition, the government-wide Statement of Activities reflects depreciation expenses on the City's capital assets.

    In addition to the government-wide financial statements, the City has prepared fund financial statements which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

    Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund budget with actual results.

    The City's basic financial statements include the accounts for all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

    The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

    The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. Internal dedicated resources are also reported as general revenues rather than as program revenues.

    The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise fees and interest income).

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Projects Fund. GASB Statement No.34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The City does not have any non-major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility proprietary fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following is a description of the major governmental funds of the City:

The *General Fund* is the operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvements costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt from taxes levied by the City.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities being financed from general obligation or certificate of obligation bond proceeds.

Proprietary funds are accounted for on a flow of economic resources measurement focus, not on a capital maintenance measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets, deferred inflows/outflows of resources, and liabilities associated with a proprietary fund's activities are included on its Statement of Net Position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) or providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes.

The City reports the following major proprietary fund:

The *Utility Fund* accounts for the operations of the water and sanitary sewer utilities and trash collection which are self-supporting activities rendering services on a user-charge basis. Water and sewer impact fees are also accumulated in this fund.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

b. Receivables and Payables

Trade and property tax receivables are shown net of an allowance for uncollectible.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from".

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represents cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support. Customer deposits received for water and wastewater services are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

d. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|---|---|
| Infrastructure | 20 - 40 yrs |
| Buildings | 25 - 40 yrs |
| Building Improvements | 10 yrs |
| Machinery and Vehicles | 5 - 20 yrs |

e. Deferred outflows/inflows of resources

In addition to assets, the financial statements will sometimes report a separate financial statement element, *deferred outflows of resources*, that represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies in this category. First, is the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Second, is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, *deferred inflows of resources* that represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources described as *unavailable revenues* only arise under a modified accrual basis of accounting. Accordingly, the items labeled *unavailable revenues* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes, court fines, and a note receivable. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary Statements of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

f. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

g. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs have been expensed as directed by a change in accounting principle with the adoption of GASB Statement No. 65. Bonds payable are reported net of the applicable bond premium and discount.

h. Fund Balance Policy

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes which committed, assigned, or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

i. *Nonspendable fund balance* - amounts that cannot be spent because of their forms (i.e. inventory, long-term receivables, or prepaid items) or because they must remain intact such as the principal of an endowment.

ii. *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

iii. *Committed fund balance* - amounts on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

iv. *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The City Council has established a policy that authorizes the City Manager to assign fund balances.

v. *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with the adopted minimum fund balance policy, the City's General Fund unassigned fund balance should be 90 days of the total maintenance and operation expenditures. Currently, the City is in compliance with this policy.

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

j. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balances in the government fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

k. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed.

l. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the individual fund financial statements and schedules section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

m. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

n. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

o. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

p. Program Expenses

Certain indirect costs, such as administrative costs, are included in the program expense reported for individual functional activities.

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| Violation | Action Taken |
|---|---|
| None Reported | Not applicable |

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| Violation | Action Taken |
|---|---|
| None reported | Not applicable |

3. Budgets and Budgetary Accounting

The City annually adopts budgets for the General Fund and Debt Service Fund of the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budgeted revenues and expenditures. The General Fund budget appears in the basic financial statement section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

a. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to September 30, the budget is legally enacted through passage of an ordinance.

d. Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.

e. The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets for the General Fund and Debt Service Fund are legally adopted on a modified accrual basis.

C. Deposits and Investments

At year end, the City's carrying amount of financial institution deposits was $10,805,622 and the bank balance was $11,017,908. All bank balances were covered by Federal Deposit Insurance or by collateral held by a third-party custodian.

Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

| | |
|---|---|
| **Statement of Net Position:** | |
| Primary Government | |
| Cash and cash equivalents | $ 3,364,986 |
| Restricted cash and cash equivalents | 7,067,489 |
| Total cash and cash equivalents | $ 10,432,475 |
| | |
| Cash on hand | $ 1,610 |
| Checking accounts | 3,681,745 |
| Certificate of deposit | 512,126 |
| Texpool & TexStar | 6,236,994 |
| Total cash and cash equivalents | $ 10,432,475 |
| | |
| *Restricted Cash* | |
| Governmental | |
| Municipal Court use | $ 78,136 |
| PEG funds | 39,576 |
| Capital projects | 4,151,589 |
| Debt | 389,068 |
| Total Governmental | 4,658,369 |
| | |
| Business | |
| Customer Deposits | 557,332 |
| Impact Fees | 1,851,788 |
| Total Business | 2,409,120 |
| Total Restricted Cash | $ 7,067,489 |

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Portfolio disclosures as of September 30, 2016 are as follows:

- the portfolio contained 4.7% in fully collateralized or FDIC-insured certificate of deposit. All pledged collateral was held by an independent institution outside the bank's holding company
- the portfolio contained no repurchase agreements, and
- the portfolio contained two demand deposit accounts which were collateralized or fully insured by the FDIC.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy sets a maximum stated maturity limit of three years. The dollar-weighted maturity allowed based on the stated maturity date for the portfolio is 270 days. Investment maturities for the debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three (3) years.

Credit Risk

A primary stated objective of the City's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted investment policy includes only time and demand deposits, repurchase agreements, non-rated SEC register money market mutual funds, and commercial paper. All other investments are rated no lower than AAA or AAA-m, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies or instrumentalities.

State law and the City's adopted investment policy restricts investments in SEC registered mutual funds to money market funds striving to maintain a $1 net asset value and defined by state law. Neither the state law nor the policy requires a rating.

Local government pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

The City is a voluntary participant in various investment pools. These pools include TexPool and TexSTAR.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review. To request a copy of TexPool's annual financial statements, go to their website www.texpool.com.

The City also invested in TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAm by Standard & Poor's. To request a copy of TexSTAR's annual financial statements, go to their website www.texstar.org.

As of September 30, 2016, the amount of investment in investment pool accounts were as follows:

| Investment | Amount | Minimum Legal Rating | Rating as of Year end | Weighted Average Maturity |
|---|---|---|---|---|
| TexPool | $ 4,024,819 | N/A | AAA-m | 41 days |
| TexSTAR | 2,586,932 | N/A | AAA-m | 40 days |
| | $ 6,611,751 | | | |

Concentration of Credit Risk

The City recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted investment policy establishes diversification as a major objective of the investment program and set diversification limits for all authorized investment types which are monitored on at least a monthly basis.

Diversification limits are set by policy as:

| | % of portfolio |
|---|---|
| US Treasury Obligation | 100% |
| US Government Agency Securities & Instrumentalities of Government-sponsored corporations | 80% |
| Authorized local government investment pools | 100% |
| Full collateralized certificates of deposit | 50% |
| SEC-regulated no-lead money market mutual funds | 10% |

As of September 30, 2016, holdings in two local government investment pools represented 61% of the total portfolio.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 100% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margin on a daily basis.

As of September 30, 2016, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate of the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous rate.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the current fiscal year, the City had a tax rate of $0.691886 per $100 assessed valuation based upon the maximum rates described above.

E. Receivables

Receivables as of year-end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Debt Service | Proprietary | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Taxes | $ 285,880 | $ 25,739 | $ - | $ 311,619 |
| Fees and Charges | 967,202 | - | 596,725 | 1,563,927 |
| Gross Receivables | 1,253,082 | 25,739 | 596,725 | 1,875,546 |
| Less: Allowances for Uncollectible | (844,026) | (2,574) | (111,839) | (958,439) |
| Net Total Receivables | $ 409,056 | $ 23,165 | $ 484,886 | $ 917,107 |

F. Note Receivable from Component Unit - Restricted

The City has a note receivable for the portion that the Community Development Corporation agreed to pay for the Series 2011 General Obligation debt. This note receivable matures in fiscal year 2029. This is a 0% interest note and proceeds from collections for this receivable are restricted in use to service the Series 2011 general obligation debt.

| | Beginning Balance | Additions | Decreases | Ending Balance |
|---|---|---|---|---|
| Note receivable-CDC | $ 614,745 | $ - | $ (87,054) | $ 527,691 |

Requirements are as follows:

| Year Ending September 30: | |
|---|---|
| 2017 | $ 81,983 |
| 2018 | 43,986 |
| 2019 | 43,199 |
| 2020 | 42,333 |
| 2021 | 37,940 |
| 2022-2026 | 172,305 |
| 2027-2029 | 105,945 |
| | $ 527,691 |

G. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

| | Beginning Balance | Additions | Decreases / Reclassifications | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 866,817 | $ - | $ - | $ 866,817 |
| Construction in Progress | 1,961,347 | 3,667,678 | (1,998,459) | 3,630,566 |
| Total capital assets, not being depreciated: | 2,828,164 | 3,667,678 | (1,998,459) | 4,497,383 |
| Capital assets, being depreciated: | | | | |
| Buildings & Improvements | 1,553,052 | 47,179 | - | 1,600,231 |
| Drainage Improvement | 68,350 | 730,412 | - | 798,762 |
| Infrastructure | 11,115,742 | - | 1,998,459 | 13,114,201 |
| Park Improvements | 1,401,459 | - | - | 1,401,459 |
| Vehicles & Equipment | 1,948,097 | 202,992 | - | 2,151,089 |
| Total capital assets being depreciated | 16,086,700 | 980,583 | 1,998,459 | 19,065,742 |
| Less accumulated depreciation for: | | | | |
| Buildings & Improvements | (667,388) | (38,315) | - | (705,703) |
| Infrastructure | (1,628,940) | (595,290) | - | (2,224,230) |
| Park Improvements | (207,066) | (74,116) | - | (281,182) |
| Drainage | - | (12,245) | - | (12,245) |
| Vehicles & Equipment | (1,544,709) | (183,726) | - | (1,728,435) |
| Total accumulated depreciation | (4,048,103) | (903,692) | - | (4,951,795) |
| Total capital assets, being depreciated, net | 12,038,597 | 76,891 | 1,998,459 | 14,113,947 |
| **Governmental activities capital assets, net** | $ 14,866,761 | $ 3,744,569 | $ - | $ 18,611,330 |

| | Beginning Balance | Additions | Decreases / Reclassifications | Ending Balance |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 180,353 | $ - | $ - | $ 180,353 |
| Construction in Progress | 60,367 | 775,142 | - | 835,509 |
| Total capital assets, not being depreciated: | 240,720 | 775,142 | - | 1,015,862 |
| Capital assets, being depreciated: | | | | |
| Buildings & Improvements | 235,326 | - | - | 235,326 |
| Infrastructure | 20,631,964 | 1,670,231 | - | 22,302,195 |
| Vehicles & Equipment | 526,603 | 93,445 | - | 620,048 |
| Total capital assets being depreciated | 21,393,893 | 1,763,676 | - | 23,157,569 |
| Less accumulated depreciation for: | | | | |
| Buildings & Improvements | (89,398) | (5,586) | - | (94,984) |
| Infrastructure | (4,227,300) | (614,842) | - | (4,842,142) |
| Vehicles & Equipment | (321,858) | (49,681) | - | (371,539) |
| Total accumulated depreciation | (4,638,557) | (670,109) | - | (5,308,665) |
| Total capital assets, being depreciated, net | 16,755,336 | 1,093,567 | - | 17,848,904 |
| **Business-type activities capital assets, net** | $ 16,996,056 | $ 1,868,709 | $ - | $ 18,864,766 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---|
| Governmental activities: | |
| General Government | $ 13,370 |
| Public Safety | 158,065 |
| Public Works, including depreciation of general infrastructure assets | 624,966 |
| Public Service | 9,300 |
| Library | 10,808 |
| Culture and Recreation | 87,183 |
| Total depreciation expense - governmental activities | $ 903,692 |
| | |
| Business-type activities: | |
| Utility Fund - utility services | $ 670,109 |
| Total depreciation expense - business-type activities | $ 670,109 |

H. Construction Commitments

The City has active construction projects as of September 30, 2016. The projects include park infrastructure and improvements, street infrastructure and improvements, and water/wastewater infrastructure improvements. At year end, the City's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|---|---|---|
| 11 El Camino & Monterey Streets | $ 536,188 | $ 52,040 |
| 11 streets Allenwood, Forest Grove, 3rd, 5th, and 6th | 539,298 | 422,286 |
| R05 Beauchamp Blvd. | 1,727,540 | 6,497,018 |
| 11 First St. from Willow | 621,406 | 38,013 |
| S15 Tickey Creek WWTRL | 142,871 | 28,174 |
| S21 Haselwood Sewer | 68,736 | 7,164 |
| S30 Gravity Main | 12,012 | 129,863 |
| W32 16" Water Main Line | 11,625 | 47,312 |
| R39 1st St from Hollow | 401,124 | 38,013 |
| R40 El Camino & Monterey Water Lines | 199,140 | 52,040 |
| 01 Child Safety Sidewalks | 41,489 | 484,949 |
| S15 Tickey Creek Waste WTR Line | 142,871 | 28,174 |
| 11 City Hall | 1,100 | 130,060 |
| R07 US 380 Hardscape | 77,082 | 22,918 |
| P14 Industrial Park & Roadways | 300,318 | 85,017 |
| Total | $ 4,822,800 | $ 8,063,041 |

I. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental-type Activities** | | | | | |
| General obligation bonds & certificates of obligation | $ 6,493,200 | $ 3,245,000 | $ (396,700) | $ 9,341,500 | $ 359,300 |
| Plus: | | | | | |
| For issuance premiums | 101,236 | 202,141 | (15,525) | 287,852 | 15,525 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (114,578) | - | 5,952 | (108,626) | (5,952) |
| Tax anticipation notes | 935,000 | - | (180,000) | 755,000 | 185,000 |
| Total Bonds Payable | 7,414,858 | 3,447,141 | (586,273) | 10,275,726 | 553,873 |
| Capital Lease Payable | 150,456 | 182,652 | (72,724) | 260,384 | 125,175 |
| Compensated absences | 171,078 | 46,848 | - | 217,926 | 54,481 |
| Net Pension Liability | 110,042 | 121,406 | - | 231,448 | - |
| Governmental activity Long-term liabilities | $ 7,846,434 | $ 3,798,047 | $ (658,997) | $ 10,985,484 | $ 733,529 |

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| Water & Sewer | | | | | |
| General obligation bonds & certificates of obligation | $ 8,516,800 | $ 6,100,000 | $ (6,283,300) | $ 8,333,500 | $ 320,700 |
| Plus: | | | | | |
| For issuance premiums | 106,007 | 378,255 | (21,264) | 462,998 | 21,264 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (29,682) | - | 2,474 | (27,208) | (2,474) |
| GTUA bonds payable | 4,135,000 | - | (215,000) | 3,920,000 | 220,000 |
| Total Bonds Payable | 12,728,125 | 6,478,255 | (6,517,090) | 12,689,290 | 559,490 |
| Capital Lease Payable | 105,990 | 93,445 | (48,841) | 150,594 | 45,149 |
| Compensated absences | 66,897 | - | (31,451) | 35,446 | 8,862 |
| Net Pension Liability | 41,104 | 46,457 | - | 87,561 | - |
| Business-type activity Long-term liabilities | $ 12,942,116 | $ 6,618,157 | $ (6,597,382) | $ 12,962,892 | $ 613,501 |

| **Governmental Activities** Description | Interest Rate Payable | Amounts Issued | Amounts Outstanding September, 30 2015 | Issued | Retired | Amounts Outstanding September, 30 2016 | Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2009 Series, CO | 4.13% | $ 4,315,000 | $ 4,130,000 | $ - | $ (100,000) | $ 4,030,000 | $ 100,000 |
| 2011 Series, GO | 2.00% | 1,439,500 | 1,058,200 | - | (151,700) | 906,500 | 144,300 |
| 2014 Series, CO | 2-3% | 1,360,000 | 1,305,000 | - | (50,000) | 1,255,000 | 50,000 |
| 2013 Tax Note | 1.90% | 1,285,000 | 935,000 | - | (180,000) | 755,000 | 185,000 |
| 2015 Series, CO | 2-3% | 3,245,000 | - | 3,245,000 | (95,000) | 3,150,000 | 65,000 |
| Total Bonds Payable | | 11,644,500 | 7,428,200 | 3,245,000 | (576,700) | 10,096,500 | 544,300 |
| Capital Lease-2 F450 | 2.58% | 100,861 | 41,260 | - | (20,998) | 20,262 | 20,263 |
| Capital Lease-Dodge | 5.45% | 164,000 | 85,248 | - | (41,208) | 44,040 | 42,870 |
| Capital Lease-Ford | 4.50% | 29,809 | 23,948 | - | (5,593) | 18,355 | 5,848 |
| Capital Lease-EMV Unit | 5.56% | 50,001 | - | 50,001 | (4,925) | 45,076 | 16,127 |
| Capital Lease-Ford Interceptor | 3.69% | 100,001 | - | 100,001 | - | 100,001 | 31,470 |
| Capital Lease-F150 | 6.20% | 32,650 | - | 32,650 | - | 32,650 | 8,597 |
| Total Long-term Obligations | | 12,121,822 | 7,578,656 | 3,427,652 | (649,424) | 10,356,884 | 669,475 |

Governmental bonds debt service requirements are as follows:

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2017 | $ 544,300 | $ 373,887 | $ 918,187 |
| 2018 | 541,600 | 361,678 | 903,278 |
| 2019 | 551,600 | 348,804 | 900,404 |
| 2020 | 566,600 | 334,535 | 901,135 |
| 2021 | 379,200 | 318,914 | 698,114 |
| 2022-2026 | 2,072,300 | 1,396,291 | 3,468,591 |
| 2027-2031 | 2,365,900 | 972,353 | 3,338,253 |
| 2032-2036 | 2,250,000 | 451,294 | 2,701,294 |
| 2037-2039 | 825,000 | 66,544 | 891,544 |
| Totals | $ 10,096,500 | $ 4,624,300 | $ 14,720,800 |

$1,439,500 of Series 2011 General Obligation Refunding Bonds were issued May 23, 2011, for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds and the Series 2010 Tax and Revenue Certificates of Obligation.

$4,315,000 of Series 2009 Combination Tax and Surplus Revenue Certificates of Obligation were issued August 25, 2009, for the purpose of construction and improvements of streets.

$1,285,000 of Series 2013 tax notes were issued August 16, 2013, for the purpose of street improvements.

$1,360,000 of Series 2014 Combination Tax and Surplus Revenue Certificates of Obligation were issued on October 23, 2014 to finance water system, sewer system, and street improvements.

$3,245,000 of Combination Tax and Surplus Revenue Certificates of Obligations and Series 2015 Bonds were issued on October 23, 2015 to pay the City's Contractual obligations to be incurred in connection with the design, construction, engineering and equipping of improvements to infrastructure and buildings.

**Business Activities**

| Description | Interest Rate Payable | Amounts Issued | Amounts Outstanding September, 30 2015 | Issued | Retired | Amounts Outstanding September, 30 2016 | Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2007 Series, GO | 4.00% | $ 1,275,000 | $ 915,000 | $ - | $ (55,000) | $ 860,000 | $ 60,000 |
| 2007 Series, CO | 4.00% | 8,250,000 | 7,230,000 | - | (6,100,000) | 1,130,000 | 180,000 |
| 2011 Series, GO | 2.00% | 490,500 | 371,800 | - | (53,300) | 318,500 | 50,700 |
| 2009 GTUA CO | 2.15% - 5.8% | 5,290,000 | 4,135,000 | - | (215,000) | 3,920,000 | 220,000 |
| 2015 Series, GO | 2-4% | 6,100,000 | - | 6,100,000 | (75,000) | 6,025,000 | 30,000 |
| Total Bonds Payable | | 21,405,500 | 12,651,800 | 6,100,000 | (6,498,300) | 12,253,500 | 540,700 |
| Capital Lease-Caterpillar | 2.50% | 103,842 | 82,040 | - | (19,759) | 62,281 | 20,251 |
| Capital Lease-Ford | 4.50% | 29,809 | 23,948 | - | (5,593) | 18,355 | 5,848 |
| Capital Lease-F350 2WD | 7.10% | 41,988 | - | 41,988 | (9,273) | 32,715 | 7,478 |
| Capital Lease-Camera | 5.99% | 51,457 | - | 51,457 | (14,216) | 37,241 | 11,572 |
| Total Long-term Obligations | | $21,632,596 | $ 12,757,788 | $ 6,193,445 | $(6,547,141) | $ 12,404,092 | $585,849 |

Business-type bonds debt service requirements are as follows:

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2017 | $ 540,700 | $ 519,594 | $ 1,060,294 |
| 2018 | 528,400 | 497,338 | 1,025,738 |
| 2019 | 553,400 | 474,098 | 1,027,498 |
| 2020 | 583,400 | 449,035 | 1,032,435 |
| 2021 | 610,800 | 421,579 | 1,032,379 |
| 2022-2026 | 3,442,700 | 1,681,537 | 5,124,237 |
| 2027-2031 | 3,074,100 | 866,803 | 3,940,903 |
| 2032-2036 | 2,000,000 | 381,963 | 2,381,963 |
| 2037-2039 | 920,000 | 37,200 | 957,200 |
| Totals | $12,253,500 | $ 5,329,147 | $ 17,582,647 |

$490,500 Series 2011 General Obligation Refunding Bonds, issued May 23, 2011, for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds.

$1,275,000 Series 2007, General Obligation Refunding Bonds, issued December 11, 2007, for the purpose of refinancing the $1,275,000 Series 2003.

$8,250,000 Series 2007, Combination Tax and Surplus Revenue Certificates of Obligation, issued December 11, 2007, for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

$5,290,000 Series 2009, GTUA Certificates of Obligation, issued January 19, 2009, for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

$6,100,000 Series 2015 General Obligation Refunding Bonds (Series 2015) issued October 28, 2015. The proceeds were used to advance refund $5,930,000 of outstanding Series 2007 General Obligation Refunding Bonds which had an interest rate of 4.00%. The net proceeds of $6,227,204 (including a $378,255 premium and after payment of $134,925 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $5,930,000 of Series 2007 debt is considered defeased and that amount of the liability for those bonds has been removed from the statement of net position. The Series 2007 bonds still have $1,130,000 of non-refunded debt recorded on the statement of net position at September 30, 2016. The reacquisition price exceeded the net carrying amount of the old debt by $127,204. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded Series 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 22 years by $1,270,735 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $893,533. With this advanced refunding, the City defeased general obligation refunding bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 20, 2016, $5,930,000 of the defeased bonds remains outstanding.

***CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY***

Under the terms of long term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA certificates of obligation.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

J. Capital Leases

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2013 in the amount of $43,000 for the purchase of 2013 Dodge Charger with video and police uplifts. The lease is to be repaid over four years with an interest rate of 5.453%. The lease matures in July 2017.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in September 2013 in the amount of $121,000 for the purchase of three 2013 Dodge Chargers with video and police uplifts. The lease is to be repaid over four years with an interest rate of 3.548%. The lease matures in September 2018.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in January 2013 in the amount of $100,861 for the purchase of two 2013 Ford F450 trucks and one generator. The lease is to be repaid over five years. The lease matures in March 2017.

The City entered into a capital lease agreement with Caterpillar Financial Services Corporation in November 2014 in the amount of $103,842 for the purchase of equipment. This lease is to be repaid over five years with an interest rate of 2.5%. The lease matures in November 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in February 2015 in the amount of $59,618 for a Ford vehicle. This lease is to be repaid over four years with an interest rate of 4.5% and is allocated evenly between the governmental and business type debt. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $41,988 for the purchase of a F350 truck. The lease is to be repaid five years with an interest rate of 7.10%. The lease matures in May 2020.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in March 2016 in the amount of $51,457 for the purchase of a Sewer Camera. The lease is to be repaid four years with an interest rate of 7.10%. The lease matures in March 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2016 in the amount of $32,650 for the purchase of a F150 truck. The lease is to be repaid four years with an interest rate of 6.20%. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $50,001 for the purchase of an EMV Unit. The lease is to be repaid four years with an interest rate of 5.56%. The lease matures in May 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $100,001 for the purchase of two Ford vehicles. The lease is to be repaid four years with an interest rate of 3.69%. The lease matures in July 2019.

Governmental debt service requirements for capital lease obligations are as follows:

| Year Ending September 30: | Principal | Interest |
|---|---|---|
| 2017 | $ 125,175 | $ 10,391 |
| 2018 | 64,335 | 5,583 |
| 2019 | 61,197 | 2,658 |
| 2020 | 9,679 | 822 |
| 2021 | - | - |
| Totals | 260,386 | 19,454 |

Business-type debt service requirements for capital lease obligations are as follows:

| Year Ending September 30: | | |
|---|---|---|
| 2017 | $ 45,150 | $ 6,993 |
| 2018 | 47,191 | 4,952 |
| 2019 | 49,342 | 2,802 |
| 2020 | 8,912 | 534 |
| 2021 | - | - |
| Totals | 150,595 | 15,281 |

K. Operating Leases

The City leases the building that houses City Hall, utility billing, and management offices. The total cost for this lease for the current fiscal year was $118,009. The other operating leases that the City is under obligation for relate to office equipment, web services, and internet services. The future minimum lease payments for these leases are as follows:

| FYE Sept. 30 | Building | Office Equip. & Services |
|---|---|---|
| 2017 | $ 114,504 | $ 7,891 |
| 2018 | 114,504 | 8,608 |
| 2019 | 9,542 | 8,608 |
| 2020 | - | 8,608 |
| 2021 | - | 7,883 |
| Thereafter | - | 1,793 |
| Total | $ 238,550 | $ 43,391 |

L. Pension Plan

1. Plan Description

The City of Princeton participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

All TMRS balances in these footnotes and other schedules are inclusive of balances allocated to the City's discretely presented component units.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | |
|---|---|
| Employee Deposit Rate | 7% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement elgibility | 60/5, 0/20 |
| Updated service credits | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 70% of CPI Repeating |

***Employees covered by benefit terms.***

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

| | | |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | | 14 |
| Inactive employees entitled to but not yet receiving benefits | | 25 |
| Active employees | | 44 |
| | Total: | 83 |

3. **Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.33% and 10.62% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were $256,409, and were equal to the required contributions.

4. **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% |
| Salary Increases | 3.5% |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 98%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.10% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 3.65% |
| Real Return | 10.0% | 4.03% |
| Real Estate | 10.0% | 5.00% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 8.00% |
| Total: | 100.0% | |

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fidutiary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at 12/31/2014 | $ 4,241,923 | $ 4,090,029 | $ 151,894 |
| Changes for the year: | | | |
| Service Cost | 339,669 | - | 339,669 |
| Interest | 302,819 | - | 302,819 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (104,990) | - | (104,990) |
| Changes of assumptions | 4,858 | - | 4,858 |
| Contributions - employer | - | 228,154 | (228,154) |
| Contributions - employee | - | 142,462 | (142,462) |
| Net investment income | - | 6,036 | (6,036) |
| Benefit payments, including refunds of employee contributions | (171,543) | (171,543) | - |
| Administrative expense | - | (3,676) | 3,676 |
| Other Changes | - | (182) | 182 |
| Net Changes | 370,813 | 201,252 | 169,562 |
| Balance at 12/31/2015 | $ 4,612,736 | $ 4,291,281 | $ 321,455 |

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | |
|---|---|---|
| **1% Decrease 5.75%** | **Current Single Rate assumption 6.75%** | **1% Increase 7.75%** |
| $1,094,824 | $321,455 | ($295,218) |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of $241,985.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred (Inflows) / Outflows in Future Expense |
|---|---|
| Differences between expected and actual economic experience | $ (132,070) |
| Changes in actuarial assumptions | $ 3,835 |
| Difference between projected and actual investment earnings | $ 253,288 |
| Contributions subsequent to the measurement date | $ 189,065 |
| Total | $ 314,118 |

$189,066 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | Net deferred outflows (inflows) of resources |
|---|---|
| 2016 | $ 24,403 |
| 2017 | 24,403 |
| 2018 | 36,004 |
| 2019 | 40,243 |
| Thereafter | - |
| Total | $ 125,053 |

**Allocation of Pension Related Balances**
Pension balances presented in the footnote above are total balances before allocations to City funds and component units. The primary government's share of pension related net pension liability is presented in Note I. The share of deferred inflows and outflows is presented in the Statement of Net Position. Also see component unit footnotes for other allocations.

**6. Other Postemployment Benefit**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were $3,116, $2,885 and $2,215, respectively, which equaled the required contributions each year.

M. Health Care Coverage

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan ("Plan"). The City contributed $656.06 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to Texas Municipal League. The Plan was authorized by article 3.51-2, Texas Insurance Code, and was documented by contractual agreement.

N. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2015, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

O. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in

commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

P. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding these actions and does not believe that it will materially affect the City's operations or financial position.

Q. Additional Water and Sewer Information

The City of Princeton secures its water supply from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"), the City being authorized by statute to appoint two of those members. The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee, or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return the City agreed to pay the District at a rate $2.29 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was $1,107,625.

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

| | |
|---|---|
| Gallons Pumped | 492,780,000 |
| Gallons Billed | 477,299,700 |

R. Transfers

The transfers during fiscal year 2016 are as follows:

| Transfer In | Transfer Out | Amount | Reason for transfer |
|---|---|---|---|
| Utility Fund | Debt Service Fund | $ 32,491 | 2007 g/o debt service support |

S. Prior Period Adjustments

Prior period adjustments were made as follows:

| | |
|---|---|
| *Debt Service Fund* | |
| Unrestricted Net Position - beginning | $ 388,020 |
| Prior period adjustment - Note payable from CDC | 614,745 |
| Unrestricted Net Position - beginning as adjusted | $ 1,002,765 |
| | |
| *Business-type activities* | |
| Unrestricted Net Position - beginning | $ 8,295,873 |
| Prior period adjustment - Retainage payable | 48,939 |
| Unrestricted Net Position - beginning as adjusted | $ 8,344,812 |

T. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2016 up through March 27, 2017, the date the financial statements were available to be issued.

U. Princeton Community Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Community Development Corporation is a discretely presented component unit on the combined financial statements. The Community Development Corporation ("CDC") was incorporated in July 3, 1997. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, building, equipment, facilities, expenditures, targeted infrastructure, and improvements throughout the City.

1. Stewardship, Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation
The government-wide net position of the CDC is a deficit ($86,973).

Action taken
The deficit will decrease as the CDC receives future sales tax revenue and receives its annual payments from the City for the CDC's note payable to assist with Series 2011 GO Refunding Bond debt service. The deficit was reduced by $390,810 during fiscal year 2016.

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

| **Statement of Net Position - unrestricted cash** | |
|---|---|
| Cash and cash equivalents | $ (332,638) |
| Texpool | 407,769 |
| Total cash and cash equivalents | $ 75,131 |

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, CDC had the following investment:

| Investment Type | Amount | Minimum Legal Rating | Rating as of Year end | Weighted Average Maturity |
|---|---|---|---|---|
| TexPool | $ 407,769 | N/A | AAA-m | 41 days |

b. Receivables

Receivables as of year-end for the CDC were $96,611 representing sales tax owed from the State. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2016.

c. Capital Assets

| | Beginning Balances | Additions | Decreases | Ending Balances |
|---|---|---|---|---|
| **Component unit activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in Progress | $ 2,916 | $ 134,769 | $ - | $ 137,685 |
| Total capital assets, not being depreciated | 2,916 | 134,769 | - | 137,685 |
| Capital assets, being depreciated: | | | | |
| Office equipment | 9,275 | - | - | 9,275 |
| Buildings & Improvements | 138,557 | - | - | 138,557 |
| Total capital assets being depreciated | 147,832 | - | - | 147,832 |
| Less accumulated depreciation for: | | | | |
| Buildings & Improvements | (1,443) | (1,443) | - | (2,886) |
| Office equipment | (9,275) | - | - | (9,275) |
| Total accumulated depreciation | (10,718) | (1,443) | - | (12,161) |
| Community Development Corporation capital assets, net | $ 140,030 | $ 133,326 | $ - | $ 273,356 |

d. Compensated absences

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation and comp time is accrued at close of fiscal year end in the government-wide and proprietary fund financial statements.

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 1,091 | $ 2,578 | $ - | $ 3,669 | $ 917 |

e. Health Care Coverage

During the year ended September 30, 2016, CDC employees were covered by the City's health insurance plan. The City contributed $656.06 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

f. Pension Plan

During the year ended September 30, 2016, CDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS") as detailed in Note L. The CDC's share of pension related net pension liability is $1,223 and pension (income) expense is $835. The CDC share of deferred inflows and outflows is presented in the Statement of Net Position.

g. Long-Term Obligations

| Description | Interest Rate Payable | Amounts Original Issue | Outstanding September 30, 2015 | Issued | Retired | Outstanding September 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|---|---|
| Note payable-City | 0.0% | $ 941,259 | $ 614,745 | $ - | $ (87,054) | $ 527,691 | $ 81,983 |

| Requirements are as follows: Year Ending September 30: | Total Requirements |
|---|---|
| 2017 | $ 81,983 |
| 2018 | 43,986 |
| 2019 | 43,199 |
| 2020 | 42,333 |
| 2021 | 37,940 |
| 2022-2026 | 172,305 |
| 2027-2029 | 105,945 |
| Totals | $ 527,691 |

CDC agreed to reimburse the City for a portion of their Series 2011 General Obligation Refunding Bonds issued in May, 2011. This note will be paid in full in FY 2029.

h. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

i. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2016 up through March 27, 2017, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

V. Princeton Economic Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Economic Development Corporation is a discretely presented component unit on the combined financial statements. The Economic Development Corporation ("EDC") was incorporated in October 1, 2005. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

1. Stewardship, Compliance and Accountability

   a. Finance-Related Legal and Contractual Provisions

   In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| Violation | Action Taken |
|---|---|
| None | Not applicable |

   b. Deficit Fund Balance or Fund Net Position of Individual Funds

   Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| Violation | Action Taken |
|---|---|
| None | Not applicable |

2. Financial Statement Amounts

   a. Deposits and Investments

   Cash and cash equivalents as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

| **Statement of net position - unrestricted cash** | | |
|---|---|---|
| Cash and cash equivalents | $ | (47,394) |
| Texpool | | 346,775 |
| Total cash and cash equivalents | $ | 299,381 |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, EDC had the following investment:

| Investment Type | Amount | Minimum Legal Rating | Rating as of Year end | Weighted Average Maturity |
|---|---|---|---|---|
| TexPool | $ 346,775 | N/A | AAA-m | 41 days |

   b. Receivables

Receivables as of year-end for the EDC were $96,611 representing sales tax owed from the State. Receivables were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2016.

c. Capital Assets

| | Beginning Balances | Additions | Decreases | Ending Balances |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,242,000 | $ - | $ - | $ 1,242,000 |
| Construction in Progress | 141,806 | 158,512 | - | 300,318 |
| Total capital assets, not being depreciated | 1,383,806 | 158,512 | - | 1,542,318 |
| Capital assets, being depreciated: | | | | |
| Equipment | 9,275 | - | - | 9,275 |
| Total capital assets being depreciated | 9,275 | - | - | 9,275 |
| Less accumulated depreciation for: | | | | |
| Equipment | (9,275) | - | - | (9,275) |
| Total accumulated depreciation | (9,275) | - | - | (9,275) |
| Total capital assets, being depreciated, net | - | - | - | - |
| Economic Development Corporation capital assets, net | $ 1,383,806 | $ 158,512 | $ - | $ 1,542,318 |

d. Compensated absences

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. All vacation and comp time is accrued at close of fiscal year end in the government-wide and proprietary fund financial statements.

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 1,091 | $ 2,578 | $ - | $ 3,669 | $ 917 |

e. Health Care Coverage

During the year ended September 30, 2016, EDC employees were covered by the City's health insurance plan. The City contributed $656.06 per month per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

f. Pension Plan

During the year ended September 30, 2016, EDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS") as detailed in Note L. The EDC's share of pension related net pension liability is $1,212 and pension (income) expense is $812. The EDC share of deferred inflows and outflows is presented in the Statement of Net Position.

g. Long-Term Obligations

| Description | Interest Rate Payable | Amounts Original Issue | Outstanding September 30, 2015 | Issued | Retired | Outstanding September 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|---|---|
| Note Payable | 6.00% | $ 1,152,000 | 954,365 | - | (954,365) | - | $ - |

h. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2016 up through March 27, 2017, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PRINCETON**
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**
**Last 10 Years (will ultimately be displayed)**

| | 2015 | 2014 |
|---|---|---|
| **Total pension liability** | | |
| Service Cost | $ 339,669 | $ 270,343 |
| Interest (on the Total Pension Liability) | 302,819 | 281,321 |
| Changes of benefit terms | - | - |
| Difference between expected and actual experience | (104,990) | (89,706) |
| Change of assumptions | 4,858 | - |
| Benefit payments, including refunds of employee contributions | (171,543) | (207,466) |
| **Net Change in Total Pension Liability** | 370,813 | 254,492 |
| **Total Pension Liability - Beginning** | 4,241,923 | 3,987,431 |
| **Total Pension Liability - Ending (a)** | $ 4,612,736 | $ 4,241,923 |
| | | |
| **Plan Fiduciary Net Position** | | |
| Contributions - Employer | $ 228,154 | $ 166,531 |
| Contributions - Employee | 142,462 | 127,401 |
| Net Investment Income | 6,036 | 216,789 |
| Benefit payments, including refunds of employee contributions | (171,543) | (207,466) |
| Administrative Expense | (3,676) | (2,263) |
| Other | (182) | (186) |
| **Net Change in Plan Fiduciary Net Position** | 201,251 | 300,806 |
| **Plan Fiduciary Net Position - Beginning** | 4,090,029 | 3,789,223 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 4,291,280 | $ 4,090,029 |
| **Net Pension Liability - Enging (a) - (b)** | $ 321,455 | $ 151,894 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 93.03% | 96.42% |
| **Covered Employee Payroll** | $ 2,035,165 | $ 1,820,011 |
| | | |
| **Net Pension Liability as a Percentage of Covered Employee Payroll** | 15.80% | 8.35% |

**Notes to Schedule:**

GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this shcedule over the next 10 year period.

**CITY OF PRINCETON**
**SCHEDULE OF T.M.R.S.CONTRIBUTIONS**
**Last 10 Fiscal Years (will ultimately be displayed)**

| | 2016 | 2015 |
|---|---|---|
| Actuarially Determined Contribution | $ 256,409 | $ 217,324 |
| Contributions in relation to the actuarially determined | $ 256,409 | $ 217,324 |
| Contribution deficiency (excess) | $ - | $ - |
| Covered employee payroll | $ 2,443,373 | $ 2,364,963 |
| Contributions as a percentage of covered employee payroll | 10.49% | 9.19% |

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 10.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

**Other Information:**

| | |
|---|---|
| Notes | There were no benefit changes during the year. |

# INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF PRINCETON, TEXAS**
**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND**
**(MODIFIED ACCRUAL BASIS)**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUE** | | | | |
| Property taxes | $ 846,249 | $ 905,066 | $ 901,434 | $ (3,632) |
| Miscellaneous | - | - | 3,876 | 3,876 |
| Investment income | 216 | 1,404 | 1,195 | (209) |
| **Total Revenues** | 846,465 | 906,470 | 906,505 | 35 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administrative | 2,246 | 2,766 | 3,304 | (538) |
| Debt service: | | | | |
| Principal retirement | 509,475 | 524,476 | 576,701 | (52,225) |
| Interest | 373,530 | 376,776 | 379,113 | (2,337) |
| **Total expenditures** | 885,251 | 904,018 | 959,118 | (55,100) |
| **Excess (deficiency) of revenues over (under) expenditures** | (38,786) | 2,452 | (52,613) | (55,065) |
| **Other revenues and financing sources (uses)** | | | | |
| Transfers | - | - | (32,491) | (32,491) |
| **Total other financing sources (uses)** | - | - | (32,491) | (32,491) |
| **Net change in fund balance** | (38,786) | 2,452 | (85,104) | $ (87,556) |
| **Fund Balances/Equity, October 1 (as restated)** | 1,002,765 | 1,002,765 | 1,002,765 | |
| **Fund Balances/Equity, September 30** | $ 963,979 | $ 1,005,217 | $ 917,661 | |

**CITY OF PRINCETON, TEXAS**
**BALANCE SHEET - COMPONENT UNIT**
**COMMUNITY DEVELOPMENT CORPORATION**
**SEPTEMBER 30, 2016**

| | CDC Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 75,131 |
| Receivables (net of allowances for uncollectibles) | 96,611 |
| **Total assets** | 171,742 |
| | |
| **LIABILITIES** | |
| Accounts payable | 786 |
| **Total Liabilities** | 786 |
| | |
| **FUND BALANCE** | |
| Unassigned | 170,956 |
| **Total fund balance** | 170,956 |
| | |
| **Total liabilities and fund balance** | $ 171,742 |

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT CORPORATION**
**SEPTEMBER 30, 2016**

| | | |
|---|---|---|
| **Total fund balances - governmental funds balance sheet** | $ | 170,956 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 285,517 |
| Accumulated depreciation has not been included in the governmental fund financial statements. | | (12,161) |
| Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds. | | (1,233) |
| Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is: | | 607 |
| TMRS pension contributions after the December 31, 2015 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position. | | 946 |
| Notes payable to the primary government are not included in the governmental fund financial statements. | | (527,691) |
| Accrued liabilities for compensated absences are not included in the fund financial statements. | | (3,669) |
| **Net position of governmental activities - Statement of Net Position** | $ | (86,728) |

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**
**IN FUND BALANCE - COMPONENT UNIT**
**COMMUNITY DEVELOPMENT CORPORATION**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | CDC Fund |
|---|---|
| **REVENUE** | |
| Sales and use tax | $ 459,244 |
| Investment income | 890 |
| Miscellaneous income | 7,342 |
| **Total revenues** | 467,476 |
| **EXPENDITURES** | |
| Current: | |
| Personnel costs | 18,136 |
| Contract services | 28,446 |
| Repairs and maintenance | 3,625 |
| Supplies and materials | 529 |
| Administration | 9,553 |
| Community contributions | 12,500 |
| Debt service: | |
| Principal retirement | 87,053 |
| Capital Outlay | 134,769 |
| **Total expenditures** | 294,611 |
| **Excess (deficiency) of revenues over (under) expenditures** | 172,865 |
| **Fund balance - beginning of year** | (1,909) |
| **Fund balance - end of year** | $ 170,956 |

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND**
**TO THE STATEMENT OF ACTIVITIES - COMMUNITY DEVELOPMENT CORPORATION**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | |
|---|---|
| **Net change in fund balance - total governmental fund** | $ 172,865 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. | 134,769 |
| Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year is to decrease net position. | (2,577) |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. | (1,443) |
| Current year long-term debt principal payments on tax notes payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. | 87,053 |
| Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes the realization of full-accrual pension expense. The net effect of these reclassifications and recognitions is to increase net position. | 407 |
| **Change in net position of governmental activities - Statement of Activities** | $ 391,074 |

**CITY OF PRINCETON, TEXAS**
**BALANCE SHEET - COMPONENT UNIT**
**ECONOMIC DEVELOPMENT CORPORATION**
**SEPTEMBER 30, 2016**

| | EDC Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 299,381 |
| Receivables (net of allowance for uncollectibles) | 96,611 |
| **Total assets** | 395,992 |
| | |
| **LIABILITIES** | |
| Accounts payable | 10,817 |
| Accrued expenses | 611 |
| **Total liabilities** | 11,428 |
| | |
| **FUND BALANCE** | |
| Unassigned | 384,564 |
| **Total fund balance** | 384,564 |
| | |
| **Total liabilities and fund balance** | $ 395,992 |

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | |
|---|---|
| **Total fund balance - governmental fund balance sheet** | $ 384,564 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,321,593 |
| Accumulated depreciation has not been included in the governmental fund financial statements. | (9,275) |
| Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds. | (1,212) |
| Unamortized pension investment gain/losses are not current financial resources/uses; therefore they are not reported in the governmental funds. The net of these amounts is: | 626 |
| TMRS pension contributions after the December 31, 2015 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position. | 946 |
| Accrued liabilities for compensated absences are not included in the fund financial statements. | (3,669) |
| **Net position of governmental activities - Statement of Net Position** | $ 1,693,573 |

**CITY OF PRINCETON, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**
**IN FUND BALANCE - COMPONENT UNIT**
**ECONOMIC DEVELOPMENT CORPORATION**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | EDC Fund |
|---|---|
| **REVENUE** | |
| Sales and use tax | $ 459,244 |
| Investment income | 1,354 |
| **Total revenues** | 460,598 |
| **EXPENDITURES** | |
| Current: | |
| Personnel costs | 18,707 |
| Administrative costs | 7,409 |
| Contract Services | 12,517 |
| Supplies and materials | 372 |
| Repairs and maintenance | 3,577 |
| Contributions | 12,000 |
| Debt Service: | |
| Principal retirement | 954,365 |
| Interest | 44,953 |
| Capital Outlay | 158,512 |
| **Total expenditures** | 1,212,412 |
| **Excess (deficiency) of revenues over (under) expenditures** | (751,814) |
| **Other Revenues and Financing Sources (uses)** | |
| Special item - Sale of land | 634,503 |
| **Total Other Financing Sources (uses)** | 634,503 |
| **Net Change in Fund Balance** | (117,311) |
| **Fund Balance, beginning of year** | 501,875 |
| **Fund Balance, end of year** | $ 384,564 |

**CITY OF PRINCETON, TEXAS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND**
**TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | |
|---|---|
| **Net change in fund balance - total governmental funds** | $ (117,311) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. | 158,512 |
| Current year long term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as reduction in long term debt in the government-wide financial statements. | 954,365 |
| Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year is to increase net position. | (2,578) |
| The book value of the assets sold are not factored in to the fund financial statements. The effect on the government-wide financial statements is there being a gain on sale of asset and decreasing net position. | (230,000) |
| Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes the realization of full-accrual pension expense. The net effect of these reclassifications and recognitions is to increase net position. | 430 |
| **Change in net position of governmental activities - Statement of Activities** | $ 763,418 |

**CITY OF PRINCETON, TEXAS**
**BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION**
**(MODIFIED ACCRUAL BASIS)**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUE** | | | | |
| Sales and use tax | $ 339,340 | $ 395,000 | $ 459,244 | $ 64,244 |
| Miscellaneous income | - | 7,343 | 7,342 | (1) |
| Investment income | 90 | 415 | 890 | 475 |
| **Total revenues** | 339,430 | 402,758 | 467,476 | 64,718 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Personnel costs | 22,191 | 22,191 | 18,136 | 4,055 |
| Contract services | 36,000 | 36,000 | 28,446 | 7,554 |
| Repairs and maintenance | 4,000 | 4,000 | 3,625 | 375 |
| Supplies and materials | 670 | 670 | 529 | 141 |
| Administration | 15,350 | 15,350 | 9,553 | 5,797 |
| Community contributions | 12,500 | 12,500 | 12,500 | - |
| Debt service: | | | | |
| Principal retirement | 71,750 | 71,750 | 87,053 | (15,303) |
| Interest | 15,303 | 15,304 | - | 15,304 |
| Capital Outlay | 90,000 | 175,317 | 134,769 | 40,548 |
| **Total expenditures** | 267,764 | 353,082 | 294,611 | 58,471 |
| **Excess (deficiency) of revenues over (under) expenditures** | 71,666 | 49,676 | 172,865 | 123,189 |
| **Other revenues and financing sources (uses)** | | | | |
| Transfers | | | - | - |
| **Total other financing sources (uses)** | - | - | - | - |
| **Net change in fund balance** | 71,666 | 49,676 | 172,865 | 123,189 |
| **Fund balance - beginning of year** | (1,909) | (1,909) | (1,909) | |
| **Fund balance - end of year** | $ 69,757 | $ 47,767 | $ 170,956 | |

**CITY OF PRINCETON, TEXAS**
**BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION**
**(MODIFIED ACCRUAL BASIS)**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUE** | | | | |
| Sales and use tax | $ 339,517 | $ 395,000 | $ 459,244 | $ 64,244 |
| Investment income | - | 1,336 | 1,354 | 18 |
| **Total revenues** | 339,517 | 396,336 | 460,598 | 64,262 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Personnel costs | 22,191 | 22,191 | 18,707 | 3,484 |
| Administrative costs | 11,450 | 11,450 | 7,409 | 4,041 |
| Contract Services | 35,000 | 30,900 | 12,517 | 18,383 |
| Supplies and materials | 420 | 458 | 372 | 86 |
| Repairs and maintenance | 2,500 | 3,314 | 3,577 | (263) |
| Contributions | 12,000 | 12,000 | 12,000 | - |
| Debt Service: | | | | |
| Principal retirement | 40,426 | 954,365 | 954,365 | - |
| Interest | 56,049 | 44,953 | 44,953 | - |
| Capital Outlay | 50,000 | 194,493 | 158,512 | 35,981 |
| **Total expenditures** | 230,036 | 1,274,124 | 1,212,412 | 61,712 |
| **Excess (deficiency) of revenues over (under) expenditures** | 109,481 | (877,788) | (751,814) | 125,974 |
| **Other Revenues and Financing Sources (uses)** | | | | |
| Sale of Capital Assets | - | 634,503 | 634,503 | - |
| **Total Other Financing Sources (uses)** | - | 634,503 | 634,503 | - |
| **Net Change in Fund Balance** | 109,481 | (243,285) | (117,311) | 125,974 |
| **Fund Balance/Equity, beginning of year** | 501,875 | 501,875 | 501,875 | |
| **Fund Balance/Equity, end of year** | $ 611,356 | $ 258,590 | $ 384,564 | |

# STATISTICAL SECTION (UNAUDITED)

## STATISTICAL SECTION

(unaudited)

This part of the City of Princeton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

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**Financial Trends**

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**CITY OF PRINCETON, TEXAS**
**NET POSITION BY COMPONENT**
**LAST TEN FISCAL YEARS**
**(accrual basis of accounting)**
**(unaudited)**

**Table 1**

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | $ 78,809 | $ 629,151 | $ 582,670 | $ 3,603,140 | $ 2,472,934 | $ 5,151,105 | $ 6,626,161 | $ 6,640,339 | $ 7,305,692 | $ 8,075,220 |
| Restricted | 2,504,528 | 601,405 | 935,212 | 354,706 | 5,128,261 | 2,162,925 | 642,768 | 2,990,401 | 3,152,746 | 4,140,512 |
| Unrestricted | (1,505,169) | 162,639 | 344,025 | 731,737 | 70,229 | 666,375 | 2,317,036 | 483,094 | 1,357,720 | 1,710,252 |
| Total governmental activities net position | 1,078,168 | 1,393,195 | 1,861,907 | 4,689,583 | 7,671,424 | 7,980,405 | 9,585,965 | 10,113,834 | 11,816,158 | 13,925,984 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 2,530,802 | 2,268,482 | 3,060,969 | 1,924,566 | 3,828,257 | 3,572,269 | 3,460,166 | 4,876,332 | 5,104,136 | 6,631,526 |
| Restricted | 567,909 | 431,377 | 124,237 | 323,770 | 734,362 | 620,769 | 766,049 | 808,064 | 994,498 | 1,851,788 |
| Unrestricted | 1,199,545 | 2,074,815 | 2,279,014 | 2,983,938 | 968,438 | 1,115,827 | 1,192,221 | 1,839,812 | 2,197,241 | 2,278,245 |
| Total business-type activities net position | 4,298,256 | 4,774,674 | 5,464,220 | 5,232,274 | 5,531,057 | 5,308,865 | 5,418,436 | 7,524,208 | 8,295,875 | 10,761,559 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 2,609,611 | 2,897,633 | 3,643,639 | 5,527,706 | 6,301,191 | 8,723,374 | 10,086,327 | 11,516,671 | 12,409,828 | 14,706,746 |
| Restricted | 3,072,437 | 1,032,782 | 1,059,449 | 678,476 | 5,862,623 | 2,783,694 | 1,408,817 | 3,798,465 | 4,147,244 | 5,992,300 |
| Unrestricted | (305,624) | 2,237,454 | 2,623,039 | 3,715,675 | 1,038,667 | 1,782,202 | 3,509,257 | 2,322,906 | 3,554,961 | 3,988,497 |
| Total primary government net position | $ 5,376,424 | $ 6,167,869 | $ 7,326,127 | $ 9,921,857 | $ 13,202,481 | $ 13,289,270 | $ 15,004,401 | $ 17,638,042 | $ 20,112,033 | $ 24,687,543 |

**CITY OF PRINCETON, TEXAS** **Table 2**
**CHANGES IN NET POSITION**
**LAST TEN FISCAL YEARS (accrual basis of accounting - unaudited)**

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** |
| **EXPENSES** | | | | | |
| Government Acivitites | | | | | |
| General Government | $ 699,201 | $ 650,757 | $ 444,068 | $ 525,180 | $ 787,033 |
| Public Safety | 1,202,927 | 1,203,205 | 1,308,389 | 1,233,166 | 1,310,826 |
| Public Works | 687,112 | 763,902 | 539,521 | 409,971 | 562,550 |
| Public Services and Operations | 267,581 | 282,444 | 254,443 | 246,159 | 272,659 |
| Parks and Recreation | 120,946 | 94,347 | 184,002 | 242,239 | 197,735 |
| Library | - | - | - | - | - |
| Interest Expense | 147,574 | 162,894 | 210,986 | 328,953 | 322,897 |
| Total government activities expenses | 3,125,341 | 3,157,549 | 2,941,409 | 2,985,668 | 3,453,700 |
| Business-Type Activities | | | | | |
| Water and Sewer | 2,107,528 | 2,308,804 | 2,670,635 | 3,220,575 | 3,837,065 |
| Total Business-Type Activities | 2,107,528 | 2,308,804 | 2,670,635 | 3,220,575 | 3,837,065 |
| Total Primary Government Expenses | 5,232,869 | 5,466,353 | 5,612,044 | 6,206,243 | 7,290,765 |
| **PROGRAM REVENUES** | | | | | |
| Governmental Activities | | | | | |
| Charge for Services: | | | | | |
| General Government | 2,657 | 97,644 | 2,240 | - | - |
| Public Safety | 419,736 | 271,835 | 309,225 | 249,280 | 267,848 |
| Public Works | 321,266 | 227,078 | 240,098 | 246,784 | 224,209 |
| Public Services and Operations | - | - | - | - | - |
| Parks and Recreation | 180 | 32,230 | 8,325 | 14,119 | 9,421 |
| Operating Grants and Contributions | 8,998 | 242,133 | 55,802 | 16,321 | 39,182 |
| Capital Grants and Contributions | 64,307 | - | - | 21,045 | 3,400 |
| Total Governmental Activities Program Revenues | 817,144 | 870,920 | 615,690 | 547,549 | 544,060 |
| Business-Type Activities | | | | | |
| Charge for Services: | | | | | |
| Water and Sewer | 2,292,262 | 2,598,224 | 2,540,971 | 3,191,055 | 3,850,211 |
| Capital Grants and Contributions | - | 23,332 | 300,121 | - | 239,917 |
| Total Business-Type Activities Program Revenues | 2,292,262 | 2,621,556 | 2,841,092 | 3,191,055 | 4,090,128 |
| Total Primary Government Program Revenues | 3,109,406 | 3,492,476 | 3,456,782 | 3,738,604 | 4,634,188 |
| **NET (EXPENSE) REVENUES** | | | | | |
| Governmental Activities | (2,308,197) | (2,286,629) | (2,325,719) | (2,438,119) | (2,909,640) |
| Business-Type Activities | 184,734 | 312,752 | 170,457 | (29,520) | 253,063 |
| Total Primary Government Program Revenues | | | | | |
| Net Expenses | (2,123,463) | (1,973,877) | (2,155,262) | (2,467,639) | (2,656,577) |
| **GENERAL REVENUES AND OTHER CHANGES IN NET POSITION** | | | | | |
| Governemental Activities: | | | | | |
| Taxes: | | | | | |
| Property | $ 1,512,827 | $ 1,620,974 | $ 2,065,415 | $ 2,082,305 | $ 2,060,352 |
| Sales | 341,644 | 365,080 | 342,593 | 368,307 | 387,708 |
| Franchise | 127,119 | 152,796 | 190,349 | 211,703 | 227,551 |
| Beverage | 2,539 | 3,137 | 3,113 | 2,724 | - |
| Investment Income | 186,603 | 129,242 | 34,295 | 18,541 | 9,552 |
| Donations | - | - | 22,883 | 11,496 | 306,348 |
| Miscellaneous | 25,160 | 25,996 | 47,680 | 19,368 | 30,382 |
| Insurance refunds | - | 4,309 | - | - | - |
| Intergovernmental | 89,315 | - | 138,019 | 2,592,361 | 2,896,341 |
| Transfers | 25,142 | 24,476 | (350,449) | (54,097) | (26,753) |
| Total Governmental Activities | 2,310,349 | 2,326,010 | 2,493,898 | 5,252,708 | 5,891,481 |
| Business-Type Activities: | | | | | |
| Investment Income | 71,135 | 185,504 | 41,805 | 3,293 | 757 |
| Miscellaneous | 139 | 2,638 | 31,911 | 22,381 | 18,210 |
| Intergovernmental Revenue | - | - | - | - | - |
| Extraordinary Items | - | - | - | 75,000 | - |
| Transfers | (25,142) | (24,476) | 350,449 | 54,097 | 26,753 |
| Total Business-Type Activities | 46,132 | 163,666 | 424,165 | 154,771 | 45,720 |
| Total Primary Government Revenues | 2,356,481 | 2,489,676 | 2,918,063 | 5,407,479 | 5,937,201 |
| **CHANGE IN NET POSITION** | | | | | |
| Governemental Activities: | 2,152 | 39,381 | 168,179 | 2,814,589 | 2,981,841 |
| Business-Type Activities: | 230,866 | 476,418 | 594,622 | 125,251 | 298,783 |
| Total Primary Government Program Net Expenses | $ 233,018 | $ 515,799 | $ 762,801 | $ 2,939,840 | $ 3,280,624 |

**CITY OF PRINCETON, TEXAS** **Table 2**
**CHANGES IN NET POSITION** **(continued)**
**LAST TEN FISCAL YEARS (accrual basis of accounting - unaudited)**

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** | **2016** |
| **EXPENSES** | | | | | |
| Government Acivitites | | | | | |
| General Government | $ 541,838 | $ 704,619 | $ 728,324 | $ 666,193 | $ 789,760 |
| Public Safety | 1,374,721 | 1,380,786 | 1,244,648 | 1,335,532 | 1,562,609 |
| Public Works | 442,915 | 603,570 | 1,113,223 | 1,232,485 | 1,381,286 |
| Public Services and Operations | 274,184 | 294,647 | 497,095 | 697,081 | 893,941 |
| Parks and Recreation | 294,768 | 307,933 | 245,950 | 493,077 | 552,517 |
| Library | - | - | - | 102,133 | 129,687 |
| Interest Expense | 289,026 | 262,039 | 215,011 | 311,418 | 390,417 |
| Total government activities expenses | 3,217,452 | 3,553,594 | 4,044,251 | 4,837,919 | 5,700,217 |
| Business-Type Activities | | | | | |
| Water and Sewer | 3,837,603 | 4,318,861 | 4,449,142 | 4,676,918 | 6,062,226 |
| Total Business-Type Activities | 3,837,603 | 4,318,861 | 4,449,142 | 4,676,918 | 6,062,226 |
| Total Primary Government Expenses | 7,055,055 | 7,872,455 | 8,493,393 | 9,514,837 | 11,762,443 |
| **PROGRAM REVENUES** | | | | | |
| Governmental Activities | | | | | |
| Charge for Services: | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | 234,570 | 271,837 | 353,545 | 294,989 | 348,441 |
| Public Works | 259,738 | 291,606 | 724,455 | 763,325 | 1,292,208 |
| Public Services and Operations | - | - | - | - | 130,204 |
| Parks , Recreation, and Public Services | 15,489 | 17,972 | 83,217 | 45,086 | - |
| Operating Grants and Contributions | 213,574 | 1,015,344 | 148,283 | 20,258 | 8,129 |
| Capital Grants and Contributions | 200,014 | 849,804 | 266,308 | 2,112,676 | 1,908,221 |
| Total Governmental Activities Program Revenues | 923,385 | 2,446,563 | 1,575,808 | 3,236,334 | 3,687,203 |
| Business-Type Activities | | | | | |
| Charge for Services: | | | | | |
| Water and Sewer | 3,694,915 | 4,382,048 | 4,812,038 | 5,214,972 | 6,754,857 |
| Capital Grants and Contributions | 145,353 | 74,680 | - | 118,855 | 1,439,081 |
| Total Business-Type Activities Program Revenues | 3,840,268 | 4,456,728 | 4,812,038 | 5,333,827 | 8,193,938 |
| Total Primary Government Program Revenues | 4,763,653 | 6,903,291 | 6,387,846 | 8,570,161 | 11,881,141 |
| **NET (EXPENSE) REVENUES** | | | | | |
| Governmental Activities | (2,294,067) | (1,107,031) | (2,468,443) | (1,601,585) | (2,013,014) |
| Business-Type Activities | 2,665 | 137,867 | 362,896 | 656,909 | 2,131,712 |
| Total Primary Government Program Revenues | | | | | |
| Net Expenses | (2,291,402) | (969,164) | (2,105,547) | (944,676) | 118,698 |
| **GENERAL REVENUES AND OTHER CHANGES IN NET POSITION** | | | | | |
| Governemental Activities: | | | | | |
| Taxes: | | | | | |
| Property | $ 2,072,551 | $ 2,131,994 | $ 2,228,700 | $ 2,483,190 | $ 2,859,709 |
| Sales | 447,973 | 501,970 | 572,515 | 626,981 | 918,489 |
| Franchise | 225,711 | 189,738 | 216,724 | 313,430 | 305,838 |
| Beverage | 2,368 | 3,190 | 1,861 | - | - |
| Investment Income | 15,913 | 11,114 | 6,702 | 3,938 | 15,937 |
| Donations | 7,135 | 8,800 | 17,010 | 14,448 | 16,177 |
| Miscellaneous | 38,630 | 38,226 | 37,350 | 45,372 | 39,181 |
| Insurance refunds | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Transfers | 609 | (32,841) | (84,550) | (132,418) | (32,491) |
| Total Governmental Activities | 2,810,890 | 2,852,191 | 2,996,312 | 3,354,941 | 4,122,840 |
| Business-Type Activities: | | | | | |
| Investment Income | 256 | 332 | 4,167 | 6,005 | 10,929 |
| Miscellaneous | 1,491 | 1,931 | 3,856 | 3,148 | 10,463 |
| Intergovernmental Revenue | - | - | - | - | 231,150 |
| Extraordinary Items | - | - | - | - | - |
| Transfers | (609) | 32,841 | 84,550 | 132,418 | 32,491 |
| Total Business-Type Activities | 1,138 | 35,104 | 92,573 | 141,571 | 285,033 |
| Total Primary Government Revenues | 2,812,028 | 2,887,295 | 3,088,885 | 3,496,512 | 4,407,873 |
| **CHANGE IN NET POSITION** | | | | | |
| Governemental Activities: | 516,823 | 1,745,160 | 527,869 | 1,753,356 | 2,109,826 |
| Business-Type Activities: | 3,803 | 172,971 | 455,469 | 798,480 | 2,416,745 |
| Total Primary Government Program Net Expenses | $ 520,626 | $ 1,918,131 | $ 983,338 | $ 2,551,836 | $ 4,526,571 |

**CITY OF PRINCETON, TEXAS** **Table 3**
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**
**LAST TEN FISCAL YEARS**
**(accrual basis of accounting)**
**(unaudited)**

| Fiscal Year | Property Tax | Sales Tax | Franchise Tax | Alcoholic Beverage Tax | Total |
|---|---|---|---|---|---|
| 2007 | $ 1,512,827 | $ 341,644 | $ 127,119 | $ 2,539 | $ 1,984,129 |
| 2008 | 1,620,974 | 365,080 | 152,796 | 3,137 | 2,141,987 |
| 2009 | 2,065,415 | 342,593 | 190,349 | 3,113 | 2,601,470 |
| 2010 | 2,082,305 | 368,307 | 211,703 | 2,724 | 2,665,039 |
| 2011 | 2,060,352 | 387,708 | 227,551 | 3,542 | 2,679,153 |
| 2012 | 2,072,551 | 447,973 | 225,711 | 2,368 | 2,748,603 |
| 2013 | 2,131,994 | 501,970 | 189,738 | 3,190 | 2,826,892 |
| 2014 | 2,228,700 | 572,515 | 216,724 | 1,861 | 3,019,800 |
| 2015 | 2,483,190 | 626,981 | 313,430 | 2,614 | 3,426,215 |
| 2016 | $ 2,859,709 | $ 918,489 | $ 305,838 | $ 2,796 | $ 4,086,832 |

**CITY OF PRINCETON, TEXAS** **Table 4**
**FUND BALANCES, GOVERNMENTAL FUNDS**
**LAST TEN FISCAL YEARS**
**(modified accrual basis of accounting)**
**(unaudited)**

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| General Fund | | | | | | | | | | |
| Nonspendable-prepaid | $ - | $ - | $ - | $ - | $ - | $ 9,751 | $ - | $ - | $ - | $ - |
| Restricted for: | | | | | | | | | | |
| Court and Child Safety | - | - | 74,217 | 64,418 | 8,828 | 11,136 | 13,472 | 82,263 | 96,279 | 78,136 |
| Park Improvements | - | - | - | - | - | - | - | 69,761 | - | - |
| PEG Capital | - | - | - | - | - | 7,478 | 16,915 | 23,965 | 31,804 | 39,576 |
| Committed for: | | | | | | | | | | |
| Fire | - | - | - | - | 18,731 | 89,034 | 101,675 | 99,824 | 62,352 | 64,926 |
| Capital Improvements | 1,863,864 | 1,612,820 | 5,431,819 | 3,468,661 | - | - | - | - | - | - |
| Assigned for: | | | | | | | | | | |
| Police | - | - | - | 1,084 | 1,084 | 4,015 | 2,439 | 2,439 | 3,657 | 3,658 |
| Scholarships | - | - | - | - | - | - | - | 2,362 | 2,362 | 2,362 |
| Unassigned | 348,902 | 351,407 | 245,609 | 402,869 | (273,162) | (144,933) | 8,211 | 517,024 | 733,619 | 1,530,097 |
| Total General Fund | 2,212,766 | 1,964,227 | 5,751,645 | 3,937,032 | (244,519) | (23,519) | 142,712 | 797,638 | 930,073 | 1,718,755 |
| All Other Government Funds | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Debt Service | 640,664 | 590,964 | 277,778 | 290,288 | 342,532 | 372,018 | 436,983 | 431,132 | 388,020 | 917,661 |
| Capital Improvements | - | (152,474) | (203,476) | 122,361 | 4,771,097 | 2,496,018 | 2,641,610 | 2,452,981 | 2,636,643 | 3,105,139 |
| Committed for: | | | | | | | | | | |
| Capital Improvements Parks | - | - | - | - | - | - | 239,739 | - | 48,019 | 239,741 |
| Total All Other Governmental Fund | $ 640,664 | $ 438,490 | $ 74,302 | $ 412,649 | $ 5,113,629 | $ 2,868,036 | $ 3,318,332 | $ 2,884,113 | $ 3,072,682 | $ 4,262,541 |

**CITY OF PRINCETON, TEXAS** **Table 5**
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**
**LAST TEN FISCAL YEARS**
**(modified accrual basis of accounting)**
**(unaudited)**

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** |
| **REVENUES** | | | | | |
| Property Taxes | $ 1,512,827 | $ 1,620,974 | $ 2,075,209 | $ 2,102,158 | $ 2,052,550 |
| Non-Property Taxes | 471,302 | 521,013 | 536,055 | 582,734 | 618,801 |
| License and Permits | 321,266 | 227,078 | 240,298 | 246,784 | 222,194 |
| Fines/Court | 375,862 | 241,470 | 267,448 | 210,408 | 204,011 |
| Investment Income | 186,604 | 129,242 | 34,296 | 18,542 | 9,552 |
| Intergovernmental | 89,316 | 87,927 | 139,520 | 2,592,361 | 2,862,740 |
| Parks | 180 | - | - | - | - |
| Public Safety | 46,531 | - | - | - | - |
| Grants | 73,305 | 242,133 | 55,802 | 37,366 | 40,484 |
| Charge for Services | - | 72,312 | 50,641 | 52,991 | 48,252 |
| Donations | - | - | 22,883 | 11,496 | 306,348 |
| Miscellaneous | 25,160 | 25,996 | 47,679 | 19,367 | 26,843 |
| **Total Revenues** | 3,102,353 | 3,168,145 | 3,469,831 | 5,874,207 | 6,391,775 |
| **EXPENDITURES** | | | | | |
| General Government | 659,547 | 630,669 | 437,374 | 469,005 | 744,937 |
| Public Safety | 1,141,785 | 1,233,888 | 1,125,917 | 1,144,097 | 1,304,248 |
| Public Works | 615,888 | 692,185 | 555,308 | 342,198 | 444,451 |
| Public Services and Operations | 270,878 | 280,392 | 251,771 | 244,025 | 268,658 |
| Parks | 84,303 | 22,879 | 141,724 | 190,555 | 185,225 |
| Library | 31,962 | 78,828 | 26,052 | 40,913 | - |
| Capital Outlay | - | 392,433 | 1,002,291 | 4,386,064 | 2,234,246 |
| Debt Service: | | | | | |
| Principal | 183,000 | 204,000 | 1,581,501 | 386,840 | 638,357 |
| Interest and Other Charges | 147,574 | 151,353 | 160,197 | 355,766 | 324,670 |
| Issuance Cost and Bond Refunding | - | - | - | - | 65,000 |
| **Total Expenditures** | 3,134,937 | 3,686,627 | 5,282,135 | 7,559,463 | 6,209,792 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Note/Bond Proceeds | - | - | 5,431,819 | 250,000 | 1,481,682 |
| Payments to Bond Refunding Escrow Agent | - | - | - | - | (1,144,500) |
| Insurance Refund | - | 15,241 | - | - | - |
| Bond Premiums | - | - | - | - | - |
| Sale of Assets | - | - | - | - | 27,021 |
| Capital Leases | - | 28,052 | - | - | - |
| Transfers | 25,142 | 24,476 | (350,449) | (54,097) | (26,753) |
| Total Other Financing Sources (Uses) | 25,142 | 67,769 | 5,081,370 | 195,903 | 337,450 |
| **NET CHANGE IN FUND BALANCES** | (7,442) | (450,713) | 3,269,066 | (1,489,353) | 519,433 |
| Debt Service as a percentage of Non-Capital Expenditures | 10.54% | 10.79% | 40.70% | 23.40% | 24.22% |

**Note:** With the adoption of GASB63 which issued a change in accounting principles, bond issuance costs have been expensed.

**CITY OF PRINCETON, TEXAS** **Table 5**
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS** **(continued)**
**LAST TEN FISCAL YEARS**
**(modified accrual basis of accounting)**
**(unaudited)**

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** | **2016** |
| **REVENUES** | | | | | |
| Property Taxes | $ 2,108,665 | $ 2,148,647 | $ 2,229,646 | $ 2,496,373 | $ 2,868,605 |
| Non-Property Taxes | 676,052 | 694,898 | 791,100 | 943,025 | 1,227,122 |
| License and Permits | 259,738 | 291,606 | 724,455 | 763,325 | 1,292,208 |
| Fines/Court | 195,497 | 223,980 | 325,175 | 266,473 | 313,762 |
| Investment Income | 15,913 | 11,114 | 6,702 | 3,938 | 15,938 |
| Intergovernmental | 246,248 | 768,746 | 217,809 | 1,212,846 | 1,177,809 |
| Parks | - | - | | - | - |
| Public Safety | - | - | | - | - |
| Grants | 159,988 | 85,994 | 11,525 | 20,258 | 8,129 |
| Charge for Services | 69,510 | 91,097 | 83,217 | 45,086 | 130,204 |
| Donations | 11,722 | 17,680 | 17,010 | 14,448 | 16,177 |
| Miscellaneous | 38,630 | 40,186 | 29,947 | 42,759 | 36,385 |
| **Total Revenues** | 3,781,963 | 4,373,948 | 4,436,586 | 5,808,532 | 7,086,340 |
| **EXPENDITURES** | | | | | |
| General Government | 490,861 | 609,017 | 725,630 | 571,945 | 684,955 |
| Public Safety | 1,174,580 | 1,151,292 | 1,293,428 | 1,445,434 | 1,630,932 |
| Public Works | 333,393 | 429,004 | 460,504 | 700,550 | 748,702 |
| Public Services and Operations | 269,557 | 291,680 | 276,377 | 476,654 | 636,406 |
| Parks | 229,804 | 109,854 | 95,038 | 403,473 | 460,734 |
| Library | 210 | 133,852 | 95,733 | 103,605 | 117,758 |
| Capital Outlay | 2,604,944 | 1,696,947 | 494,965 | 2,205,877 | 3,917,850 |
| Debt Service: | | | | | |
| Principal | 494,283 | 566,061 | 478,089 | 550,866 | 649,425 |
| Interest and Other Charges | 287,818 | 258,593 | 211,565 | 307,171 | 388,396 |
| Issuance Costs | - | 28,143 | - | 68,397 | 84,689 |
| **Total Expenditures** | 5,885,450 | 5,274,443 | 4,131,329 | 6,833,971 | 9,319,846 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Note/Bond Proceeds | 114,066 | 1,549,861 | - | 1,360,000 | 3,245,000 |
| Payments to Bond Refunding Escrow Agent | - | - | - | - | - |
| Insurance Refund | - | - | - | - | - |
| Bond Premiums | - | - | - | 89,052 | 202,141 |
| Sale of Assets | - | - | - | - | - |
| Capital Leases | - | - | - | 29,809 | 182,652 |
| Transfers | 609 | (32,841) | (84,550) | (132,418) | (32,491) |
| Total Other Financing Sources (Uses) | 114,675 | 1,517,020 | (84,550) | 1,346,443 | 3,597,302 |
| **NET CHANGE IN FUND BALANCES** | (1,988,812) | 616,525 | 220,707 | 321,004 | 1,363,796 |
| Debt Service as a percentage of Non-Capital Expenditures | 23.84% | 23.05% | 18.97% | 18.54% | 19.21% |

**Note:** With the adoption of GASB63 which issued a change in accounting principles, bond issuance costs have been expensed.

**CITY OF PRINCETON, TEXAS** **Table 6**
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| Fiscal Year Ended Sept. 30 | Real Property | | Personal Property | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Gross Taxable Value | Assessed Value as a Percentage of Actual Value |
|---|---|---|---|---|---|---|---|---|
| | Residential Property | Commercial Property | Other | | | | | |
| 2007 | $ 199,332,938 | $ 30,950,271 | $ 13,162,445 | $ (40,088,236) | $ 203,357,418 | 0.649700 | $ 243,445,654 | 83.53% |
| 2008 | 273,868,089 | 34,332,079 | 15,228,146 | (52,816,440) | 270,611,874 | 0.728394 | 323,428,314 | 83.67% |
| 2009 | 289,549,844 | 37,574,527 | 16,142,134 | (61,900,306) | 281,366,199 | 0.728394 | 343,266,505 | 81.97% |
| 2010 | 278,538,937 | 31,462,248 | 24,609,961 | (53,436,205) | 281,174,941 | 0.728394 | 334,611,146 | 84.03% |
| 2011 | 278,592,732 | 33,766,205 | 27,487,082 | (58,979,246) | 280,866,773 | 0.728394 | 339,846,019 | 82.65% |
| 2012 | 295,401,109 | 42,701,207 | 2,497,520 | (59,111,138) | 281,488,698 | 0.728394 | 340,599,836 | 82.64% |
| 2013 | 293,259,335 | 44,359,953 | 2,333,729 | (62,018,127) | 277,934,890 | 0.728394 | 339,953,017 | 81.76% |
| 2014 | 313,596,419 | 49,171,779 | 2,510,382 | (63,673,035) | 301,605,545 | 0.738999 | 365,278,580 | 82.57% |
| 2015 | 364,887,976 | 52,483,026 | 2,471,089 | (75,771,626) | 344,070,465 | 0.738999 | 419,842,091 | 81.95% |
| 2016 | $ 431,633,366 | $ 56,757,007 | $ 2,701,269 | $ (106,120,967) | $ 384,970,675 | $ 0.721800 | $ 491,091,642 | 78.39% |

**Source:** Collin County Appraisal District

**Note:** Property is reassessed annually. Property is assessed at actual value; therfore, the assessed values are equal to the actual value. Tax rates are per $100 of assessed value.

**CITY OF PRINCETON, TEXAS** **Table 7**
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**
**LAST TEN FISCAL YEARS**
**(PER $100 OF ASSESSED VALUE)**
**(unaudited)**

| | City Direct Rates | | | Overlapping Rates* | | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended Sept. 30 | Operating/ General Rage | General Obligation Debt Service | Total Direct | Princeton Independent School District | Collin County | Collin County Community College |
| 2007 | $ 0.405500 | $ 0.244200 | $ 0.649700 | $ 1.368700 | $ 0.245000 | $ - |
| 2008 | 0.439990 | 0.288404 | 0.728394 | 1.490000 | 0.245000 | - |
| 2009 | 0.439990 | 0.288404 | 0.728394 | 1.490000 | 0.245000 | - |
| 2010 | 0.439990 | 0.288404 | 0.728394 | 1.591400 | 0.245000 | 0.086300 |
| 2011 | 0.439990 | 0.288404 | 0.728394 | 1.490000 | 0.240000 | 0.863000 |
| 2012 | 0.439990 | 0.288404 | 0.728394 | 1.490000 | 0.240000 | 0.863000 |
| 2013 | 0.439990 | 0.288404 | 0.728394 | 1.473600 | 0.240000 | 0.863000 |
| 2014 | 0.511969 | 0.227030 | 0.738999 | 1.480000 | 0.240000 | 0.862990 |
| 2015 | 0.511969 | 0.227030 | 0.738999 | 1.510000 | 0.237500 | 0.083643 |
| 2016 | $ 0.503901 | $ 0.217899 | $ 0.721800 | $ 1.620000 | $ 0.235000 | $ 0.081960 |

**CITY OF PRINCETON, TEXAS** **Table 8**
**PRINCIPAL TAXPAYERS**
**CURRENT YEAR AND NINE YEARS AGO**
**(unaudited)**

| Taxpayer | Assessed Taxable Value FY2016 | Rank | Percentage of Assessed Taxable Value | Assessed Taxable Value FY2007 | Rank | Percentage of Assessed Taxable Value |
|---|---|---|---|---|---|---|
| D R HORTON - TEXAS LTD | 9,097,693 | 1 | 1.85% | | | |
| EDISON DEVELOPMENT CO. | 4,872,692 | 2 | 0.99% | | | |
| CHARLEYS CONCRETE COMPANY INC | 4,250,974 | 3 | 0.87% | | | |
| 311 PRINCETON DRIVE LLC | 2,667,700 | 4 | 0.54% | | | |
| LGI HOMES - TEXAS LLC | 2,025,463 | 5 | 0.41% | | | |
| FIRST BANK FARMERSVILLE | 1,898,684 | 6 | 0.39% | | | |
| WAL-MART REAL ESTATE BUSINESS TRUST | 1,781,056 | 7 | 0.36% | | | |
| CAROLINA REAL ESTATE HOLDINGS LLC | 1,479,908 | 8 | 0.30% | | | |
| CREEKVIEW AT 380 LLC | 1,447,896 | 9 | 0.29% | | | |
| PRINCETON VILLAGE LCC | 1,378,892 | 10 | 0.28% | | | |
| | $ 30,900,958 | | 6.29% | | | |
| Total Assessed Valuation | $ 491,091,642 | | | | | |
| | | | | PMR LAND / PRINCETON LP | 1 | 1.21% |
| | | | | GEHAN HOMES LTD | 2 | 1.18% |
| | | | | ACOSTA EDUARDO G | 3 | 1.18% |
| | | | | PRINCETON VILLAGE LLC | 4 | 1.07% |
| | | | | FIRST BANK FARMERSVILLE | 5 | 1.05% |
| | | | | MORRISON HOMES OF TEXAS INC | 6 | 1.01% |
| | | | | BEAZER HOMES TEXAS LP | 7 | 0.98% |
| | | | | CR 407 & FM 75 LLP | 8 | 0.93% |
| | | | | JOMC PROPERTIES INC | 9 | 0.89% |
| | | | | TEXAS HOLIDAY BUILDERS | 10 | 0.77% |
| | | | | $ 20,888,140 | | 10.27% |
| | | | | Total Assessed Valuation | | $ 203,357,418 |

Source: Collin County Appraisal District

**CITY OF PRINCETON, TEXAS** **Table 9**
**PROPERTY TAX LEVIES AND COLLECTIONS**
**(unaudited)**

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount | % of Levy | | Amount | % of Levy |
| 2007 | $ 1,321,213 | $ 1,272,627 | 96.32% | $ 40,082 | 1,312,709 | 99.36% |
| 2008 | 1,608,415 | 1,550,664 | 96.41% | 52,732 | 1,603,396 | 99.69% |
| 2009 | 1,997,108 | 1,955,460 | 97.91% | 35,938 | 1,991,398 | 99.71% |
| 2010 | 2,046,391 | 1,997,250 | 97.60% | 41,580 | 2,038,830 | 99.63% |
| 2011 | 2,041,553 | 1,999,672 | 97.95% | 35,819 | 2,035,491 | 99.70% |
| 2012 | 2,048,174 | 2,024,856 | 98.86% | 17,616 | 2,042,472 | 99.72% |
| 2013 | 2,101,230 | 2,093,767 | 99.64% | 784 | 2,094,551 | 99.68% |
| 2014 | 2,210,407 | 2,198,054 | 99.44% | 2,356 | 2,200,410 | 99.55% |
| 2015 | 2,449,973 | 2,440,330 | 99.61% | - | 2,440,330 | 99.61% |
| 2016 | $ 2,833,887 | $ 2,812,844 | 99.26% | $ 4,569 | $ 2,817,413 | 99.42% |

Source: Collin County Appraisal District

**CITY OF PRINCETON, TEXAS** **Table 10**
**RATIO OF OUTSTANDING DEBT BY TYPE**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| | Governmental Activities | | | | Business-Type Activities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Certificates of Obligations | Other Obligations | Limited Tax Note | General Obligation Bonds | Certificates of Obligations | Other Obligations | Revenue Bonds | Total Primary Government | Percentage of Personal Income | Per Capita (1) |
| 2007 | $ 130,000 | $ 1,215,000 | $ 128,000 | $ 1,565,000 | $ - | $ 1,790,000 | $ - | $ 21,000 | $ 4,849,000 | 3.86% | 673 |
| 2008 | 99,000 | 1,190,000 | 65,000 | 1,480,000 | 1,250,000 | 8,805,000 | - | - | 12,889,000 | 9.82% | 2,242 |
| 2009 | 1,270,500 | 4,315,000 | 19,236 | 1,325,000 | 1,754,500 | 8,120,000 | - | - | 16,804,236 | 13.44% | 2,675 |
| 2010 | 1,218,000 | 4,565,000 | 9,896 | 1,025,000 | 1,687,000 | 7,985,000 | - | - | 16,489,896 | 12.95% | 2,577 |
| 2011 | 1,439,500 | 4,315,000 | 31,521 | 695,000 | 1,610,500 | 7,845,000 | 17,756 | - | 15,954,277 | 11.78% | 2,344 |
| 2012 | 1,325,600 | 4,315,000 | 105,204 | 355,000 | 1,521,400 | 7,700,000 | 11,482 | - | 15,333,686 | 10.14% | 2,061 |
| 2013 | 1,321,622 | 4,254,295 | 284,804 | 1,285,000 | 1,455,971 | 7,665,640 | 3,516 | - | 16,270,848 | 9.64% | 2,178 |
| 2014 | 1,206,200 | 4,149,963 | 204,915 | 1,110,000 | 1,361,644 | 11,845,825 | - | - | 19,878,547 | 10.59% | 2,290 |
| 2015 | 1,058,200 | 5,421,659 | 150,456 | 935,000 | 1,286,800 | 11,441,325 | 105,990 | - | 20,399,430 | 10.65% | 2,180 |
| 2016 | $ 4,056,500 | $ 5,285,000 | $ 260,384 | $ 755,000 | $ 7,473,500 | $ 4,780,000 | $ 150,594 | $ - | $ 22,760,978 | 10.14% | 2,433 |

Note: Details regarding the City's outstanding debt can be found in the notes to the finanacial statements.
(1) See Table 15 for personal income and population data.

**CITY OF PRINCETON, TEXAS** **Table 11**
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| Fiscal Year | Estimated Population | Assessed Property Value (1) | Gross Bonded Debt (2) | Less Debt Service Funds (3) | Net Bonded Debt | % Net Bonded Debt to Assessed Property Value | Net Bonded Debt Per Capita |
|---|---|---|---|---|---|---|---|
| 2007 | 5,843 | $ 203,357,418 | $ 4,721,000 | $ 640,664 | $ 4,080,336 | 2.01% | $ 698 |
| 2008 | 5,750 | 270,611,874 | 12,824,000 | 590,964 | 12,233,036 | 4.52% | 2,127 |
| 2009 | 6,282 | 281,366,199 | 16,785,000 | 277,778 | 16,507,222 | 5.87% | 2,628 |
| 2010 | 6,400 | 281,174,941 | 16,479,000 | 328,806 | 16,150,194 | 5.74% | 2,523 |
| 2011 | 6,807 | 280,866,773 | 15,905,000 | 342,532 | 15,562,468 | 5.54% | 2,286 |
| 2012 | 7,440 | 281,488,698 | 15,217,000 | 372,018 | 14,844,982 | 5.27% | 1,995 |
| 2013 | 7,469 | 277,934,890 | 15,982,528 | 429,895 | 15,552,633 | 5.60% | 2,082 |
| 2014 | 8,769 | 301,605,545 | 19,673,632 | 431,132 | 19,242,500 | 6.52% | 2,217 |
| 2015 | 9,356 | 344,070,465 | 20,142,982 | 386,489 | 19,756,493 | 5.85% | 2,112 |
| 2016 | 10,632 | $ 384,970,675 | $ 22,350,000 | $ 389,971 | $ 21,960,029 | 5.81% | $ 2,065 |

Source:
(1) Collin County Appraisal Office
(2) Schedule of Bonds Payable and Total bonds for fiscal year
(3) Schedule of General Long-Term Debt and Statistical Section

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF PRINCETON** **Table 12**
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**
**(unaudited)**

| Governmental Subdivision | Gross Bonded Debt | Percentage of Debt Applicable to Area | City Share of Overlapping Debt |
|---|---|---|---|
| Collin County | $ 366,955,000 | 0.46% | $ 1,687,993 |
| Collin County CCD | 19,155,000 | 0.46% | 88,113 |
| McKinney Independent School District | 447,930,000 | 0.10% | 447,930 |
| Princeton Independent School District | 100,003,206 | 56.05% | 56,051,797 |
| | $ 934,043,206 | | $ 58,275,833 |
| City of Princeton | | | $ 22,350,000 |
| | | | $ 80,625,833 |
| Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value) | | | 20.94% |
| Per capita overlapping bonded debt | | | $ 8,618 |

Source: "Texas Municipal Report" as of September 30, 2016, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Princeton. This process recognizes that, when considering the City of Princeton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Princeton's boundaries and dividing it by the overlapping government's total taxable assessed value.

**CITY OF PRINCETON, TEXAS** **Table 13**
**LEGAL DEBT MARGIN INFORMATION**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Tax Limit Rate | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 | $ 2.50 |
| Current Tax Rate | 0.6497 | 0.728394 | 0.728394 | 0.728394 | 0.728394 | 0.728394 | 0.728394 | 0.738999 | 0.738999 | 0.721800 |
| Available Tax Rate | $ 1.8503 | $ 1.7716 | $ 1.7716 | $ 1.7716 | $ 1.7716 | $ 1.7716 | $ 1.7716 | $ 1.7610 | $ 1.7610 | $ 1.7782 |

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|---|
| Assessed value | $ 384,970,675 |
| Add back exempt real property | 106,120,967 |
| Total assessed value | $ 491,091,642 |
| Debt limit (10% of total assessed value) | $ 49,109,164 |
| Debt applicable to limit: | |
| Property tax supported debt | $ 22,350,000 |
| Less: Amount set aside for repayment of general debt | (389,971) |
| Total net debt appicable to limit | $ 21,960,029 |
| Legal debt margin | 4.47% |

**CITY OF PRINCETON, TEXAS** **Table 14**
**PLEDGED-REVENUE COVERAGE**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| Fiscal Year | Water and Sewer Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| | Total Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Annual Requirements | | Times Coverage |
| | | | | Principal | Interest | |
| 2007 | $ 2,292,262 | $ 1,911,852 | $ 380,410 | $ 113,000 | $ 86,719 | 1.9 |
| 2008 | 2,600,862 | 2,127,043 | 473,819 | 101,000 | 98,719 | 2.37 |
| 2009 | 2,546,595 | 2,534,718 | 11,877 | 220,000 | 479,206 | 0.02 |
| 2010 | 3,198,875 | 2,567,725 | 631,150 | 352,500 | 345,119 | 0.90 |
| 2011 | 3,868,421 | 3,324,228 | 544,193 | 216,500 | 463,160 | 0.80 |
| 2012 | 3,841,759 | 3,094,483 | 747,276 | 239,100 | 436,766 | 1.11 |
| 2013 | 4,383,979 | 3,449,737 | 934,242 | 251,800 | 429,508 | 1.37 |
| 2014 | 4,815,894 | 3,223,135 | 1,592,759 | 477,000 | 643,890 | 1.42 |
| 2015 | 5,218,120 | 3,418,349 | 1,799,771 | 493,300 | 625,509 | 1.61 |
| 2016 | 6,765,321 | 4,722,866 | 2,042,455 | 544,300 | 373,887 | 2.22 |

Note: (1) Total Revenues does not include non-operating revenues
(2) Operating Expenses only - does not include transfers or depreciation

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF PRINCETON, TEXAS** **Table 15**
**DEMOGRAPHIC AND ECONOMIC STATISTICS**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| Fiscal Year | Estimated Population [1] | Personal Income | Per Capita Income [2] | Average Age [3] | Grade School Enrollment [4] | Unemployment Rate [5] |
|---|---|---|---|---|---|---|
| 2007 | 7,200 | $ 125,467,200 | * $17,426 | 35 | 2,584 | * 6.5% |
| 2008 | 5,750 | 131,197,750 | 22,817 | 37 | 2,767 | 4.80% |
| 2009 | 6,282 | 125,024,364 | * 19,902 | 45 | 5,608 | 8.20% |
| 2010 | 6,400 | 127,372,800 | * 19,902 | 35 | 2,183 | 7.50% |
| 2011 | 6,807 | 135,472,914 | * 19,902 | 35 | 2,347 | 8.50% |
| 2012 | 7,440 | 151,255,200 | 20,330 | 32 | 1,999 | 9.60% |
| 2013 | 7,469 | 168,844,214 | 22,606 | 31 | 1,853 | 8.30% |
| 2014 | 8,679 | 187,761,486 | 21,634 | 34 | 1,954 | 5.70% |
| 2015 | 9,356 | 191,461,184 | 20,464 | 36 | 1,798 | 4.20% |
| 2016 | 10,362 | $ 224,565,264 | $ 21,672 | 36 | 1,798 | 4.30% |

Sources:

1 Kimley Horn Engineers
2 United States Census Bureau
3 Collin County
4 Princeton I.S.D.
5 Texas Workforce Commission - (data for Collin County)
N/A - per NCTCOG, data not available for some small population cities
* - Estimated by NCTCOG

**CITY OF PRINCETON, TEXAS** **Table 16**
**PRINCIPAL EMPLOYERS**
**SEPTEMBER 30, 2016**
**(unaudited)**

| | 2016 | |
|---|---|---|
| **Name of Employer** | **No. of Employees** | **Rank** |
| Princeton Independent School District | 480 | 1 |
| City of Princeton | 75 | 2 |
| Villa Ascuncion Independent | 70 | 3 |
| McDonalds | 36 | 4 |
| Jack in the Box | 25 | 5 |
| Taco Bell | 12 | 6 |
| Citizens State Bank | 10 | 7 |
| Dollar General | 6 | 8 |
| O'Reilly Auto Parts | 5 | 9 |
| Big G Auto | 4 | 10 |
| **Totals** | 723 | |

| | 2007 | |
|---|---|---|
| **Name of Employer** | **No. of Employees** | **Rank** |
| Princeton Independent School District | 380 | 1 |
| City of Princeton | 34 | 2 |
| Asuncion Acosta Nursing Home | 24 | 3 |
| Jackson Enterprises | 16 | 4 |
| McDonalds | 16 | 5 |
| Rainbow Connection Daycare | 10 | 6 |
| Total | 480 | |

Note: Total employment within City is not available.

**CITY OF PRINCETON, TEXAS** **Table 17**
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function / Program** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| General Government | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police | 12 | 12 | 12 | 12 | 12 | 11 | 12 | 12 | 13 | 15 |
| Fire | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 4 |
| Municipal Court | 3 | 3 | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 3 |
| Code Enforcement | 1 | 1 | 2 | 1 | 2 | 2 | 1 | 1 | 1 | 1 |
| Library | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Relations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Development Services | 2 | 1 | 1 | 1 | 2 | 2 | 1 | 3 | 3 | 3 |
| Municipal Services | 3 | 3* | 8* | 8 | 3 | 3 | 0 | 0 | 0 | 0 |
| Streets | 1 | 0* | 0* | 1 | 2 | 2 | 2 | 2 | 2 | 10 |
| Parks and Recreation | 1 | 0* | 0* | 1 | 2 | 2 | 2 | 2 | 5 | 3 |
| Utility Administration | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| Water, Wastewater | 3 | 3 | 12 | 10 | 2 | 3 | 5 | 6 | 6 | 8 |
| | 36 | 30 | 39 | 46 | 36 | 36 | 36 | 39 | 43 | 57 |

**Source:** City of Princeton Finance Director

* - Beginning in fiscal year 2008, Parks, Streets, and Municipal Services were combined.

**CITY OF PRINCETON** **Table 18**
**OPERATING INDICATORS BY FUNCTION**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Function/Program** | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical Arrests | 304 | 768 | 245 | 293 | 267 | 291 | 296 | 352 | 236 | 364 |
| Parking Violations | n/a | n/a | 1 | 2 | 4 | - | - | - | - | - |
| Traffic Violations | 2,777 | 3,015 | 2,911 | 2,142 | 2,210 | 2,775 | 2,750 | 2,706 | 1992 | 7353 |
| Fire | | | | | | | | | | |
| Number of calls answered | 858 | 553 | 1,032 | 973 | 1,215 | 1,254 | 1,355 | 1,536 | 1555 | 1929 |
| Inspections | 57 | 43 | 32 | 60 | 35 | 42 | 33 | 155 | 168 | 178 |
| Highways and Streets | | | | | | | | | | |
| Potholes repaired | 14 | 1 | 354 | 2,500 | 600 | 540 | 712 | 690 | 700 | 560 |
| Water | | | | | | | | | | |
| New Connections | 389 | 301 | 95 | 114 | 316 | 282 | 593 | 568 | 301 | 656 |
| Water Main Breaks | 7 | 1 | 4 | 24 | 50 | 100 | 175 | 188 | 193 | 143 |
| Avg Daily Consumption (gallons) | 223 | 260 | 219 | 6,155 | 373 | 1,163 | 1,153 | 1,054 | 1149 | 1350 |

**Source:** City departments, North Texas Municipal Water District

**CITY OF PRINCETON** **Table 19**
**CAPITAL ASSET STATISTICS BY FUNCTION**
**LAST TEN FISCAL YEARS**
**(unaudited)**

| | FISCAL YEAR | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Function/Program** | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | |
| Police | | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 7 | 8 | 8 | 8 | 9 | 10 | 12 | 12 | 11 | 12 | 12 |
| Fire Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Highways and Streets | | | | | | | | | | | |
| Streets (miles) | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 24 | 26 | 28 | 64 |
| Streetlights | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 202 | 232 | 246 | 309 |
| Culture and Recreation | | | | | | | | | | | |
| Parks (acreage) | 104 | 104 | 104 | 104 | 125 | 125 | 125 | 126 | 126 | 126 | 126 |
| Parks | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Water | | | | | | | | | | | |
| Water Mains (miles) | 23 | 23 | 24 | 24 | 27 | 27 | 27 | 27.5 | 27.5 | 30 | 58.8 |
| Fire Hydrants | 354 | 354 | 354 | 354 | 360 | 275 | 275 | 280 | 290 | 303 | 356 |
| Maximum Daily Capacity (thousands gallons) | 2,430 | 3,024 | 3,024 | 3,024 | 1M | 1.37M | 1.5M | 1.9M | 1.9M | 1.9M | 1.9M |
| Sewer | | | | | | | | | | | |
| Sanitary Sewer (miles) | 20 | 20 | 20 | 20 | 50 | 50 | 50 | 50.5 | 50.5 | 53 | 44.8 |

**Sources:**
City departments, North Texas Municipal Water District